

Bank Reconciliations Statement



CA Hardik Manchanda

Bank Reconciliation Statement

5-10 Marks



Sale
₹10,000



10/1/2024

2. Some Day

SBI Bank



Cash Book [Bank]

Dr.	Cr.
To Sale 10,000 ↓ Asset for Business	2000 (Withdraw) balance 8000 → Dr. Balance Positive Bal Favourable

Bank also records the transactions of business by opening a Separate A/c of every Business.

In the Books of SBI

Tara Clothing

Dr.	Cr.
2000 Bal. 8000 Cr. balance Favourable for Business	10,000 → Liab for Bank



Pass Book maintained by Bank

Amt Dr. in Cash Book = Amt Cr. in Pass Book
Amt Cr. in Cash Book = Amt Dr. in Pass Book

Cash Book
 Favourable Balance : Dr. balance = Pass Book Cr. balance

Unfavourable Bal. : Cr. balance [overdraft] = Dr. balance

→ Bal. shown by cash book must be equal to the bal. Shown by Pass book.

But, Sometimes balances do not tally & therefore a statement is prepared to identify the reasons.

Such statement is Bank Reconciliation Statement, prepared by Account holder [Business.]

For Understanding:

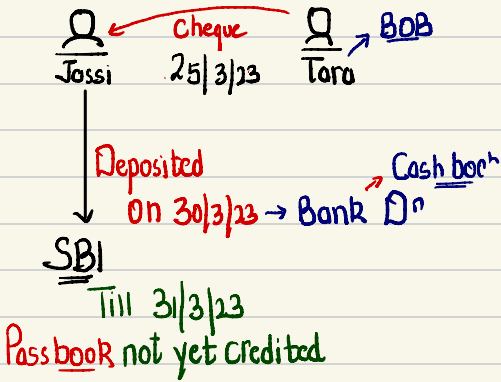
<u>Cash Book</u>		<u>Pass Book</u>	
Dr.	Cr.	Dr.	Cr.
10,000 ✓			10,000 ✓
	2000 ✓	2000 ✓	
15000			2000 ✓
2000 ✓			
	4000 ✓		
	3000 ✓	3000 ✓	
Dr. Bal. → 18000		7000 - Balance - Cr.	
18000 (15000) + 4000 ----- 7000		7000 + 15000 (4000) ----- 18000	

Causes of Difference

Timing Difference

Transaction Diff

Errors



 Jossi → Cheque 25/3/23 → Tara (BOB)

 Deposited on 30/3/23 → Bank

 SBI Till 31/3/23

 Passbook not yet credited

Transactions which Bank carries out on its own without informing A/c holder.

⇒ Transactions are recorded at diff point of time in CB & PB.

1. Cheque deposited ₹10,000 on 28th Mar, 23, not yet credited by Bank. Cleared 31/3/23

Cash Book

Dr	Cr
10,000	



Pass Book

Dr	Cr
	X

deposit

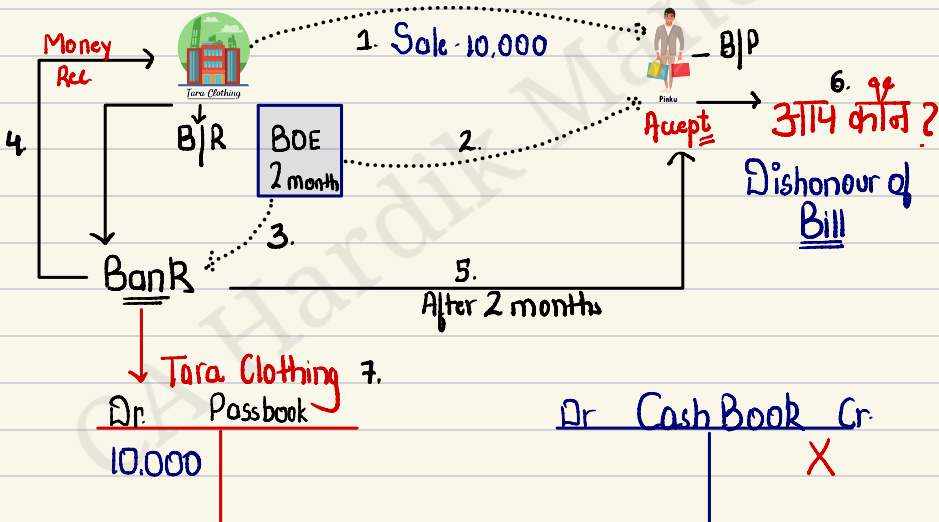
- Cheque paid into the Bank but not cleared.

2. Cheque issued but not yet presented for payment

 Jassi $\xrightarrow{5000}$  Tora Cheque not deposited till Mar 31

Cash Book		Pass Book	
Dr	Cr	Dr	Cr
	5000	X	

3. Dishonour of a ^{BOE} Bill, discounted with Bank.



4. Cheque deposited dishonoured.



Cash Book	
Dr	
10,000	

Pass Book	
Dr	Cr
10,000	10,000
	X

5. Int allowed by Bank - ₹2000

Cash Book	
Dr	Cr
X	

Pass Book	
Dr	Cr
	2000

6. Int charged by the Bank - ₹1000

Cash Book	
Dr	Cr
	X

Pass Book	
Dr	Cr
1000	

7. Interest & Dividend collected by Bank - ₹10,000

<u>Cash Book</u>	
Dr	Cr
X	

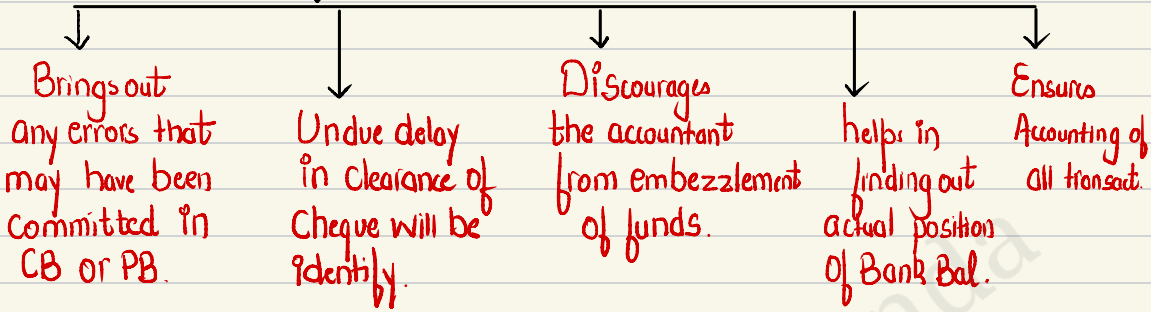
<u>Pass Book</u>	
Dr	Cr
	10,000

8. Direct payment by the Bank - ₹20,000

<u>Cash Book</u>	
Dr	Cr
	X

<u>Pass Book</u>	
Dr	Cr
20,000	

Importance of BRS



* Procedure of Reconciling the Cash Book with Pass Book bal.

+ Dr. bal as per Cash book - ₹10,000 | + Cr. bal as per Pass book - ₹12,000

Diff- Cheque issued ₹2,000, not presented for payment.

Starting point:

Dr. bal as per CB-	10,000
Add: cheque issued but not pres for payment	<u>2,000</u>
Cr. bal as per PB.	<u>12,000</u>

Cr. bal as per Pass Book-	12,000
Less:	<u>(2,000)</u>
Dr. bal. as per CB	10,000

Types of Problems

1. When causes of Diff. are given

2. When Causes of diff are not given.

1. When Causes of diff are given.

Differences	Starting	
	Dr. bal as per C.B.	Cr. bal as per P.B.
1. Cheque deposited but not cleared.	Minus	Add
2. Cheque Issued but not presented for payment	Add	Minus
3. Amt directly deposited in Bank by customer	Add	Minus
4. Exp directly paid by Bank	Minus	Add
5. Bank charges	Minus	Add
6. Cheque Dishonoured	Minus	Add
7. Excess debit in the cash Book	Minus	Add
8. Undercasting of payment side of cash book.	Minus	Add
9. Overcasting of Receipt side of cash book	Minus	Add
10. Excess credit in Pass Book	Add.	Minus
11. Wrong debit in Pass Book	Minus	Add
12. Dishonour of a bill discounted with Bank	Minus	Add
<hr/>		
<u>FINAL BALANCE</u>	+ → Cr. bal. as per P.B.	+ - Dr. bal. as per C.B.
	(-) - Dr. bal. as per P.B.	(-) - Cr. bal. as per C.B.

+ - Dr.

On 31st Dec 2023, the cash book of Tanya showed a balance of Rs. 1,50,000.

On scrutiny of the two books, she ascertained the following causes of difference:

48000

1. She has issued cheques amounting to Rs. 80,000 out of which only Rs. 32,000 were presented for payment.
2. Mr. Gupta deposited an amount of Rs. 15,700 in her bank which has not been recorded by her in Cash Book yet.
3. Bank has credited an interest of Rs. 1,500 while charging Rs. 250 as bank charges.
4. Interest on investments collected by the bank and credited in the Pass Book Rs. 12,00,000. deposited
5. Cheques paid into bank but not cleared before 31st December, 2023 were for Rs. 22,17,000.
6. A payment by cheque for Rs. 16,000 has been entered twice in the Cash Book. CB ↓ 32000 PB ↓ 16000
7. On 6th Dec, 2023 the bank credited Rs. 20,000 to Tanya in error.
8. A bill of exchange for Rs. 1,40,000 was discounted with his bank. This bill was dishonoured on 28th December, 2023 but no entry had been made in the books of Tanya. PB ↓ 140,000
9. Cheques amounting to Rs. 2,50,000 had been recorded in the cash book as having been paid into the bank on 30th December, 2023, but were entered in the bank statement on 1st January, 2024.
10. A cheque received for Rs. 73,000 had been dishonoured prior to 30th December, 2023 but no record of this fact appeared in the cash book.

Bank Reconciliation Statement

as on 31st Dec, 2023

	Plus [₹]	Minus [₹]
Dr. bal as per CB	150,000	
1. Cheque Issued but not pres. for pay. [80,000 - 32,000]	48,000	
2. Amt directly deposited in the Bank,	15,700	
3. Int cr. by the Bank	1,500	
Int charged by the Bank		250
4. Int on Inv. collected by bank	120,000	
5. Cheque dep but not cleared.		22,17,000
6. Payment recorded twice in CB	16,000	
7. Bank credited amt in error	20,000	
8. BOE discounted with the Bank dish.		140,000
9. Cheque dep but not cleared till 31st Dec		250,000
10. Cheque dep dishonoured.		73,000
Dr. Balance as per Pass Book	1,22,90,50	
	<u>26,80,250</u>	<u>26,80,250</u>

Receipt - Dr CB Cr - Payment
 CB +50,000 100,000 50,000



(-)

On 31st December, 2023 the bank column of Jassi's cash book showed a credit balance of Rs. 23,330. On examination of the cash book and bank statement you find that:

PB +

1. Bills for collection of Rs. 8,000 credited by the Bank till 31st December, 2023 but no advice received by the company
- * 2. A cheque for Rs. 27,000 drawn by Jasmine had been charged to Jassi's bank account by mistake in December, 2023. ^{issued}
3. Transport subsidy of Rs. 5,000 received from the State Government directly by the Bank but not advised to the Jassi.
- * 4. The payment side of the Cash Book was undercast by Rs. 10,000.
- * 5. A cheque for Rs. 1,31,000 issued on 25th December, 2023 was not taken in the bank column.
6. One deposit of Rs. 1,50,000 was recorded in the Cash Book as if there is no bank column therein.
7. On 18th December, 2023 the debit balance of Rs. 15,260 as on the previous day, was brought forward as credit balance in the Cash book.
8. Of the total cheques amounting to Rs. 11,514 drawn in the last week of December, 2023, cheques aggregating Rs. 7,815 ^{P.P} were encashed in December.
9. Dividends of Rs. 25,000 collected by the Bank and subscription of Rs. 1,000 paid by it were not recorded in the Cash Book.
10. One out-going Cheque of Rs. 3,50,000 was recorded twice in the Cash Book.

issued

Prepare a Reconciliation Statement.

+15260 ← +15260 → -15260

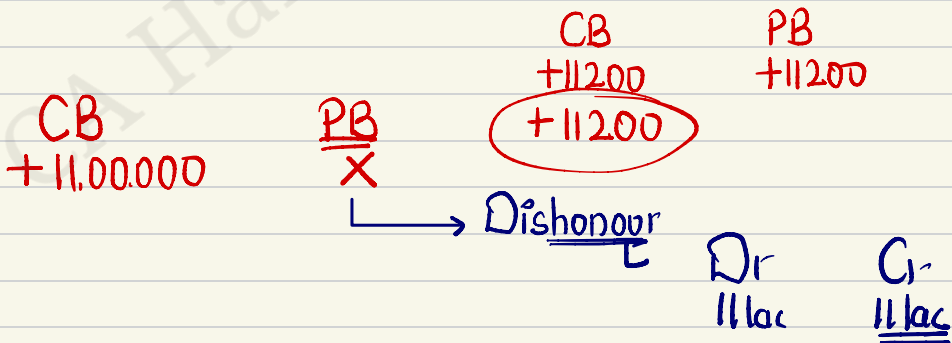
↑ +15260 (15260)
 ↓ (15260) ↓ (15260)

$$15260 - (15260) = 30520 \checkmark$$

Bank Reconciliation Statement

as on 31st Dec, 2023

	Plus [₹]	Minus [₹]
Balance as per Cash Book		23,330
1. 8000	8000	
2. 21000		21000
3. 5000	5000	
4. 10,000		10,000
5. 131000		131000
6. 150.000	150.000	
7. 30520	30520	
8. 3699	3699	
9 (i) 25000	25000	
(ii) 1000		1000
10. 350.000	350.000	
Cr bal as per PB		379889
	572219	572219



Bank Reconciliation Statement

as on 30th June , 2022

	Plus [₹]	Minus [₹]
1. Bal. as per <u>Bank statement</u>	1039200	
2. 309200	309200	
3. 900.000	900.000	
4. 16000	16000	
5. 3000	3000	
6. 400,000		400,000
7. 112.00	112.00	
	11,00,000	
Dr bal. as per CB		2978600
	3378600	3378600

Prepare a bank reconciliation statement as on 30th September, 2022 from the following particulars:

- 1) Bank balance as per pass-book - Rs. 10,00,000 - +Cr.
- 2) Cheque received, but not sent to bank - Rs. 11,20,000 PBx CB ✓
- 3) Debit side of the bank column cast short - Rs. 2,000
- 4) Bank charges entered twice in the cash book - Rs. 2,000
- 5) Cheque received entered twice in the cash book - Rs. 10,000 ✓
- 6) Bills discounted dishonoured not recorded in the cash book. - Rs. 5,00,000
- 7) Cheques worth ₹20,000 had been sent to bank for collection, but collection was reported by the bank as under:

- A) Cheques collected before 30th Sep 2022 ₹14,000 ✓ Diff x
- B) Cheques collected on 10th of Oct 2022 ₹4000] 6000 CB PB ✓
- C) Cheques collected on 12th of Oct 2022 ₹2000] ✓

- 8) Bank credited cheque of ₹4000 in savings account of the proprietor instead of crediting cheque in current account.

<u>Dr.</u>	<u>Cr.</u>
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90,000	40,000
Bal. 60,000 ↓ <u>50,000</u>	

Bank Reconciliation Statement

as on 30th June , 2022

	Plus [₹]	Minus [₹]
1 Bal. as per Pass Book	10,00,000	
2	11,20,000	
3		2000
4		2000
5	10,000	
6.	500,000	
7.	6000	
8.	4000	
Dr bal as per <u>CB</u>		2636000
	2640.000	2640.000

From the following particulars of Tara clothing, prepare a bank reconciliation statement :

- 1) Bank overdraft as per passbook as on 31 March 2023 was ₹10,000
- 2) Cheques issued were ₹2500, ₹3800 and ₹2000 during the month. The cheques of ₹5800 is still with the supplier
- 3) Dividend collected by bank ₹1250 was wrongly entered as ₹1520 in Cashbook.
- 4) Amount transferred from fixed deposit account into the current account ₹2000 appeared only in passbook (—) Personal PB +
- 5) On 10 March 2022 a bill for ₹22,800 was discounted from the bank, entered in the cashbook, but proceeds credited in the bank statement amounted to ₹22,000 only.
- 6) A cheque for ₹4800 in favour of Hari Suppliers Ltd. was omitted by the bank from the statement, the cheque was debited to another customers account.
- 7) A bill Payable of ₹20,000 had been paid by the bank but was not entered in the cashbook and bill receivable for ₹6000 had been discounted with the bank at a cost of ₹100, which had also not been recorded in cash book
- 8) A Cheque for Rs. 1,18,000 issued on 26th March, 2023 was not taken in the bank Column.

Bank Reconciliation Statement

as on 30th Sep, 2022



	Plus [₹]	Minus [₹]
Balance as per PB		10,000
1.		5800
2.		
3.	270	
4.		2000
5.	800	
6.		4800
7.	20,000	
8.		5900
9.	118000	
Dr bal as per CB		110570
	139070	139070

(b) On 30th June, 2021, Cash Book of Ms. Suman (Bank Column of Account No. 1) shows a Bank Overdraft of ₹ 1,97,400. On going through the Bank Pass book for reconciling the Balance, she found the following:

(a) Out of cheques drawn on 26th June, those for ₹ 14,800 were cashed by the bankers on 2nd July.

issue

CB ↓ 14800

PP

(b) A crossed cheque for ₹ 3000 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1st July.

CB ↓ 3000

Dishonour

CB ↑

(c) Cash and cheques amounting to ₹ 13,600 were deposited in the Bank on 29th June, but cheques worth ₹ 5,200 were cleared by the Bank on 1st July, and one cheque for ₹ 1,000 was returned by them as dishonoured on the latter date.

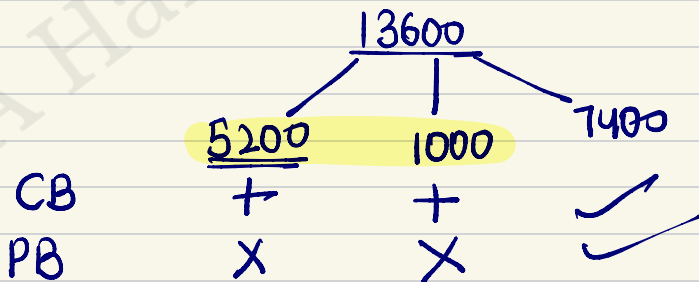
(d) According to Suman's standing instructions, the bankers have on 30th June, paid ₹ 1,280 as interest to her creditors, paid quarterly premium on her policy amounting to ₹ 640 and have paid a second call of ₹ 2,400 on shares held by her and lodged with the bankers for safe custody. They have also received ₹ 600 as dividend on her shares and recovered an Insurance Claim of ₹ 3,200, as their charges and commission charged on the above being ₹ 400. On receipt of information of the above transaction, she has passed necessary entries in her Cash Book on 1st July.

+

✓ Deposit

(e) Bankers seem to have given a wrong credit for ₹ 2,000 paid in by her in No. 2 account and wrong debit in respect of a cheque for ₹ 1,200 drawn against her No. 2 account.

Prepare a Bank Reconciliation Statement as on 30th June, 2021.



Bank Reconciliation Statement

as on 30th June, 2022

	Plus [₹]	Minus [₹]
1. Balance as per CB ✓		197400
2.	14800	
3.	3000	
4. (i)		6200
(ii) (1280 + 640 + 2400)		4320
(ii) (3800 - 400)	3400	
5.	2000	
		1200
Overdraft as per PB	185920	
	<u>209120</u>	<u>209120</u>

Adjusted / Amended Cash Book



31st Mar. 2024

Accountant



Cash Book ← Reconcile → Pass Book

Differences

- 1) _____
- 2) _____

We need correct balance of Bank column as on 31st March.

Balance in Cash Book is Adjusted
for certain adjustment before taking it to BRS.
↓
Adjusted cash Book.

1) Errors in the cash Book

- Overcasting of Payment side of CB
- Amt recorded twice.

2) Omission in the cash book

- Int allowed / charged by bank
- Cheque Dishonoured.

Imp → Errors occurring in the Pass Book are not to be adjusted in Adj. Cash book.

When to prepare

If BRS is prepared at the end of the year.

Always prepare Adj Cash Book + BRS

BRS is prep During the year

Adj Cash Book will be prepared only if Mentioned in the Ques.

2. According to the cash-book of Gopi, there was a balance of ₹ 44,50,000 in his bank on 30th June, 2022. On investigation you find that:

- (i) ~~✓~~ Cheques amounting to ₹ 6,00,000 issued to creditors have not been presented for payment till the date. BRS 555000
- (ii) Cheques paid into bank amounting to ₹ 11,05,000 out of which cheques amounting to ₹ 5,50,000 only collected by the bank up to 30th June 2022.
- (iii) A dividend of ₹ 40,000 and rent amounting to ₹ 6,00,000 received by the bank and entered in the pass-book but not recorded in the cash book.
- (iv) Insurance premium (up to ~~31st December, 2022~~) paid by the bank ₹ 27,000 not entered in the cash book.
- (v) ~~✓~~ The payment side of the cash book had been under casted by ₹ 5,000.
- (vi) ~~✓~~ Bank charges ₹ 1,500 shown in the pass book had not been entered in the cash book.
- (vii) A bill payable of ₹ 2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 60,000 had been discounted with the bank at a cost of ₹ 1,000 which had also not been recorded in cash book.

Required:

PB → 59000

- (a) to make the appropriate adjustments in the cash book, and
- (b) to prepare a statement reconciling it with the bank pass book.

Adjusted Cash Book

Dr.			Cr.
Receipts	₹	Payments	₹
To bal b/d	4450.000		
To Rent	600.000	By Ins prem	27000
To Dividend	40.000	By Rect. of error	5000
To B/R	59000	By Bank ch.	1500
		By B/P	200.000
		by bal c/d	4915500

Bank Reconciliation Statement As on 30th June, 2022

	Plus (₹)	Minus (₹)
Adj Cash book bal.	4915500	
1. Cheque issued but not pres for pay.	600,000	
2. Cheque dep but not cleared		555000
Cn. bal. as per <u>P.B.</u>		4960500

CA Hardik Manchanda

→ New Ques

ILLUSTRATION 11

Mr. Manoj is employed by Century Rayon and Carpets Pvt Ltd. as their cashier. The main responsibility of Mr. Manoj is to maintain the company's cash book and prepare a bank reconciliation statement at the end of each month. The cash book (only bank column) is set out below together with a copy of the bank statement for the month of February 2022.

You are required to :

- Reconcile the cash book with the bank statement.
- Make necessary entries to update the cash book. - Adj CB.
- Start with the balance as per cash book, list any unpresented cheques and sub-total on the reconciliation statement.

Century Rayon and Carpets Pvt Ltd

Cash Book (Bank Column only)

			Cr.		
Date	Particulars	Amount Dr. ₹	Date	Particulars	Amount Cr. ₹
01/02/2022	To Balance b/d	1,42,500	03/02/2022	By Bhagwandas	1,980
01/02/2022	To Blue and Co	1,570	07/02/2022	By Maruti Ltd (400460)	1,500
04/02/2022	To GM Ltd	2,430	12/02/2022	By Jackson Ltd (400461)	54,000 ✓
08/02/2022	To Robinson Ltd	910	18/02/2022	By PC computers (400462)	1,420 ✓
13/02/2022	To Donald	750	24/02/2022	By Shiv garage (400463)	49,000
20/02/2022	To Avenue Super mart	4,200	30/02/2022	By Petty cash (400465)	1,500
28/02/2022	To Sleep Well Ltd	940		By Shweta & Co (400464)	2,100
	Cheque dep but not cleared			By AV Partners (400466)	5,200
				By Balance c/d	36,600
		1,53,300			1,53,300

Customer: Century Rayon and Carpets Pvt Ltd
Account No – xxxxx0439

Account Statement for the month of February 2022

Date	Particulars	Amount Dr.	Amount Cr.	Dr. or Cr.	Balance ₹
1/02/2022	Balance b/d				1,42,500
3/02/2022	Cheques		1,570	Cr.	1,44,070
5/02/2022	Maruti Ltd	1,500		Dr.	1,42,570
7/02/2022	Bhagwandas	1,980		Dr.	1,40,590
12/02/2022	GM Ltd		2,430	Cr.	1,43,020
15/02/2022	Robinson Ltd		910	Cr.	1,43,930
20/02/2022	Premium of New India Insurance Ltd	3,800		Dr.	1,40,130
14/02/2022	Donald		750	Cr.	1,40,880
14/02/2022	400463	49,000		Dr.	91,880
23/02/2022	cheques		4,200	Cr.	96,080
26/02/2022	Savita	1,030		Dr.	95,050
26/02/2022	400465	1,500		Dr.	93,550
27/02/2022	Shreya		2,200	Cr.	95,750
28/02/2022	Bank charges	2,538		Dr.	93,212

Adj. Cash Book

Receipts	₹	Payment	₹
To bal b/d	36600	by Ins prem	3800
To Shreya	2200	by bank ch.	2538
		by Savita	1030
		by bal c/d	<u>31432</u>

Bank Reco. Statement as on 28th Feb, 2022

	Plus	Minus
Adj. bal as per CB	31432	
1. Cheque dep but not cleared		940
2. Cheque issued but not pres for pay		
Jackson - 54000		
PC comp 1420		
Shweta 2100		
AV part 5200		
Cr. bal as per PB	62720	93212

Unit over :-