

# 4

## BANK RECONCILIATION STATEMENT

### THEORY SECTION



#### 1. Bank Reconciliation Statement Explained:

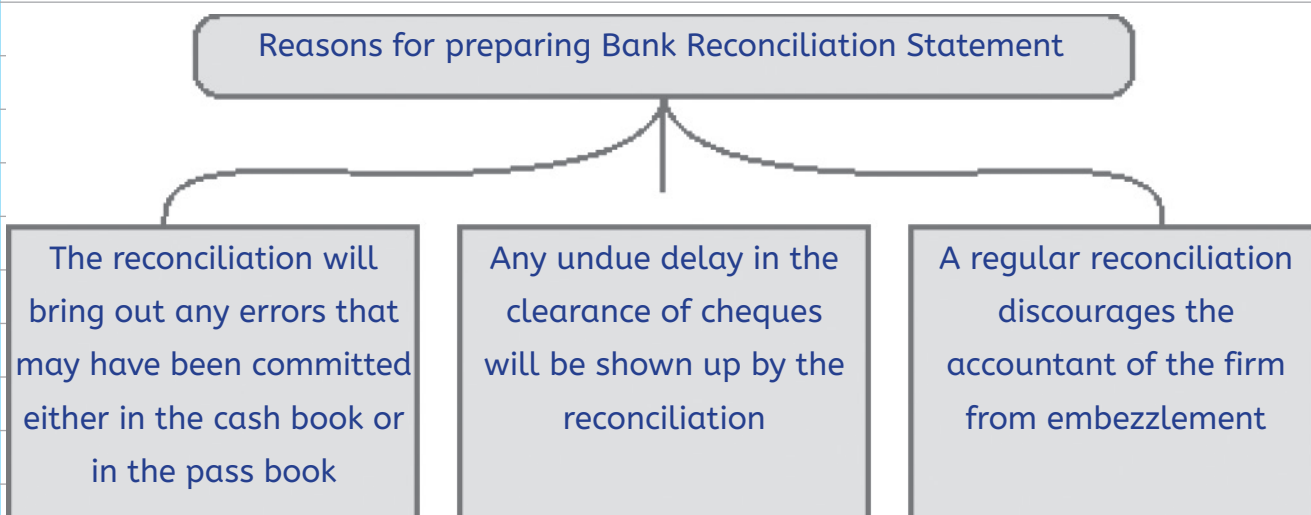
A businessman maintains a record of his transactions with the bank, in the bank column of the cash book. The bank maintains a record of its transactions with its clients in the pass book. Transactions recorded in both the books are the same and therefore on a given date the bank balance as per the cash book, and the bank balance as per the pass book should be the same. But it is not same due to various reasons therefore we need to prepare a Bank Reconciliation Statement to reconcile the difference between the two books. Normally it is prepared at the end of every month by the accountant.



#### 2. Bank Reconciliation Statement Defined:

Prepared to explain the reasons of difference between Bank balance as per cash book and pass book. For this we have to compare Closing balance of Bank column of Cash Book with pass book/ Bank statement. Normally it is prepared at the end of every month, by the account holder.

3.





#### 4. Types of Balances

- (i) Cash Book Balance (Favourable) - Debit Balance
- (ii) Cash Book Overdraft (Unfavourable) - Credit Balance
- (iii) Pass Book Balance (Favourable) - Credit Balance
- (iv) Pass Book Overdraft (Unfavourable) - Debit Balance



#### 5. Reasons of Differences between cash book and pass book:

- a. Timing Differences
- b. Difference arising due to errors in recording the entries

Following are example of differences

- (1) Cheque Deposited but not cleared.
- (2) Cheque issued but not presented for payment.
- (3) Cheque deposited but dishonoured.
- (4) Cheque issued but dishonoured.
- (5) Overcasting Error in CB / PB.
- (6) Under casting Error in CB / PB.
- (7) Bank charges, Commission etc. debited by Bank.
- (8) Interest Credited by Bank.
- (9) Direct payment by Bank.
- (10) Direct collection by Bank.
- (11) Direct Deposit by Customer.
- (12) Debit Balance wrongly taken as Credit Balance in CB / PB.
- (13) Credit Balance wrongly taken as Debit Balance in CB / PB.



(14) Bank transaction recorded in cash column of cash Book.

(15) Transfer to /from Current Account.

**(b) Cash Book Rectification**

As per traditional concept all items of difference between bank balance as per cash book and pass book appears in BRS but as per practical approach all those items where cash book has a mistake or discrepancy should be corrected in the cash book itself and the bank balance as per cash book should be rectified.

**Items requiring Cash Book Correction:**

1. Direct payments or collections made by bank but not recorded in cash book.
2. Cheques deposited or issued but dishonoured and the dishonor entry is not yet passed in cash book.
3. Bank charges, interest, commission etc. debited by bank but not yet recorded in cash book.
4. Mistakes committed in cash book.

**Note:** Now, the BRS will show only those items where the pass book has a discrepancy.

## CLASSWORK SECTION

**Q.1** Prepare a Bank Reconciliation Statement as at December 31, 2017, from the following information:

- i. Bank balance as per cash book (Dr.) on 31.12.2017 ₹ 7,244
- ii. Cheques deposited for collection on 29th and 30th December ₹ 10,440. Out of these, Cheques credited by Bank upto 31.12.2017, ₹ 2,218.
- iii. Cheques issued before December 31, 2017 and not presented for payment till 31.12.2017, ₹ 616.
- iv. Incidental charges with no advice to the company ₹ 10.
- v. ₹ 480 and ₹ 840 were two debit entries in the pass book but ₹ 480 has been reversed by the bank before 31.12.17. It is found that ₹ 840 relate to the subsidiary of this company
- vii. Transfer by bank to another account of the company with no advice, ₹ 2,100.

**Q.2** The cash book of Mr. Karan shows ₹ 2,60,400 as the balance of bank as on 31st December, 2021 but you find that it does not agree with the balance as per the bank pass book. On analysis, you found the following discrepancies.

- i. On 15th 'December, 2021 the payment side of the cash book was overcast by ₹ 10,000.
- ii. A Cheque for ₹ 1,18,000 issued on 6th December, 2021 was not taken in the bank Column.
- iii. On 20th December, 2021 the debit balance of ₹ 8,460 as on the previous day, was brought forward as credit balance in the cash book.
- iv. Of the total cheques amounting to ₹ 12,370 drawn in the last week of December 2021, cheques aggregating ₹ 9,360 were encashed in December, 2021.
- v. Dividends of ₹ 35,000 collected by the bank and fire insurance premium of ₹ 7,900 paid by the bank were not recorded in the cash book.
- vi. A Cheque issued to a creditor of ₹ 1,75,000 was recorded twice in the cash book.



- vii. Bill for collection amounting to ₹ 53,000 credited by the bank on 21st December, 2021 but no advice was received by Mr. Karen till 31st December, 2021.
- viii. A Customer, who received a cash discount of 3% on his account of ₹ 60,000 paid a cheque on 10th December, 2021. The cashier erroneously entered the gross amount in the bank column of the cash book.
- You are required to prepare the bank reconciliation statement as on 31st December, 2021.

**Q.3** Prepare a Bank Reconciliation Statement from the following particulars. You are required to ascertain the Bank Balance as it would appear in Cash Book of Shri Gobind as at 31st December, 2017.

1. The Bank Pass Book showed an over-draft of ₹ 9,500/- on 31st December, 2017
2. Interest on overdraft for six months ending 31st December, 2017 ₹ 250/- is debited in the Pass Book, but is not entered in the Bank Column of Cash Book.
3. Cheques issued but not cashed, prior to 31st December, amounted to ₹ 1,500.
4. Club bill directly debited to his bank account not yet reflected in the Cash Book ₹ 2,700/-.
5. Cheques paid into Bank, but not cleared and credited before 31st December ₹ 2,500.
6. Interest on investments collected by the bankers and credited in the pass book amounted to ₹ 1,800.
7. Shri Gobind issued a cheque of ₹ 900 for his LIC Premium, which was returned as the amount in figure and words was not tallying. Shri Gobind, therefore paid premium by cash and this was not rectified in his books of accounts.

**Q.4** D's Cash Book shows an overdrawn position of ₹ 3,630 on 31st March, although the Bank Statement shows only ₹ 3,378 overdrawn. Detailed examination of two records revealed the following:

- a) A cheque for ₹ 1,560 in favour of Rath Associates had been omitted by the Bank from its statements, the cheque having been debited to another customer's A/c.
- b) The debit side of his own book had been undercast by ₹ 300.
- c) A cheque for ₹ 182 drawn in payment of Electricity charges had been entered in the Cash Book as ₹ 128 but was shown correctly in Bank Statement
- d) A cheque for ₹ 210 from S. Gupta, having been paid into the bank, was dishonoured and shown as such on Bank Statement, although no entry relating to dishonoring of the cheque had been made in the Cash Book.
- e) The bank had debited a cheque for ₹ 126 to D's Account in error. It should have been debited to Shukla' A/c.
- f) A dividend of ₹ 90 on D's holding of Equity Shares has been directly collected by the bank, but no entry, has been made in Cash Book.
- g) A lodgment of ₹ 1,080 on 31.3 had not been credited by the bank.
- h) Interest of ₹ 228 had been directly debited by bank not recorded in the Cash Book.

Prepare a Bank Reconciliation Statement.

**Q.5** The Cash Book of Mr. X shows ₹ 8,464 as the balance at the Bank as on 31st December, but you find this does not agree with the balance as per the Bank Pass Book. On scrutiny, you find the following discrepancies:

- a) On 15th Dec. the Payments side of the Cash Book was undercast by ₹ 200.

- b) A cheque for ₹ 231 issued on 25th Dec. was recorded in the Cash Column.
- c) One deposit of ₹ 250 was recorded in the Cash Book as if there is no Bank Column therein.
- d) On 18th Dec. the debit balance of ₹ 1,576 as on the previous day, was brought forward as credit balance.
- e) Of the total Cheques amounting to ₹ 11,614 drawn in the last week of Dec. Cheques aggregating ₹ 7,815 were encashed in December.
- f) Dividends of ₹ 350 collected by the Bank and subscription of ₹ 200 paid by it were not recorded in the Cash Book
- g) One out going cheque of ₹ 450 was recorded twice in the Cash Book.

Prepare a Reconciliation Statement if the accounting year is calendar year.

**Q.6** From the following information prepare a Bank Reconciliation statement as on 31st March 2022 for A Ltd.

		₹
	Bank overdraft as per cash book as 31st March 2022	15,50,750
1.	Cheques deposited on 15th February, 2022 credited on 5th April, 2022	12,50,000
2.	Interest debited by bank on 31st March, 2022	1,75,000
3.	Cheques issued before 31st March, 2022 but not yet presented	7,75,000
4.	On 10th March, 2022 bank credited to A Ltd in error	1,50,000
5.	Draft deposited in bank but not credited till 31st March, 2022	12,75,000
6.	Bills for collection credited by bank but no advice received by the company	9,45,000
7.	Bank charges charged by bank not entered in cash book	2,85,000
8.	Transport subsidy received from the state government directly by the bank not advised to the company	17,50,000

**Q.7** Prepare a bank reconciliation statement as on 30th September, 2003 from the following particulars: also state the balance to show in balance sheet.

	₹
Bank balance as per the pass book	10,000
Cheque deposited in to the bank , but no entry was passed in the cash book.	500
Cheque received but not sent to bank	1,200
Credit side of bank column cast short	200
Insurance premium paid directly by the bank under the standing advice	600
Bank charges entered twice in the cashbook.	20
Cheque issued, but not presented to the bank for the payment.	500
Cheque received entered twice in the cashbook	1000
Bills discounted dishonored not recorded in the cash book	5,000

**Q.8** The following is a summary of a cash book as presented to you for the month of December 2017.

	₹		₹
Receipt	1,469	Balance b/d	761
Balance c/d	554	Payment	1,262
	<b>2,023</b>		<b>2,023</b>

All receipt are banked and payment made by cheque. On investigation you discover:

1. Bank charges of ₹ 136 entered in the bank statement had not been entered in the cash book.
2. Cheque drawn amounting to ₹ 267 had not been presented to the bank for payment
3. Cheque received totaling ₹ 762 had been entered in the cash book and paid in to bank but had not been credited by the bank until Jan 2018
4. A cheque for ₹ 22 had been entered as a receipt in the cashbook instead of as a payment.



5. A cheque for ₹ 25 had been debited by the bank in error.
6. A cheque received for ₹ 80 had been returned by the bank and marked “no fund available”. No adjustment had been made in the cashbook.
7. All dividend receivable are credited directly to the bank Account. During December amount totaling ₹ 62 were credited by the bank and no entries made in the cashbook.
8. A cheque drawn for ₹ 6 had been incorrectly entered in the cashbook as ₹ 66.
9. The balance brought forward should have been ₹ 711
10. The bank statement as on 31st December, 2017 showed an overdraft of ₹ 1,162.

**You are required to:**

- (1) Show the adjustment required in the cash book
- (2) Prepare a bank reconciliation statement as on 31.12.2017.

**Q.9** The following are the Cash book (bank column) and Pass book of Jain for the months of March, 2017 and April, 2017 :

**Cash Book (Bank Column only)**

DR.

CR.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
01/3/2017	To Balance b/d	60,000	03/3/2017	By Cash A/c	2,00,000
06/3/2017	To Sales A/c	3,00,000	07/3/2017	By Modi	60,000
10/3/2017	To Ram	65,000	12/3/2017	By Patil	30,000
18/3/2017	To Singhal	2,70,000	18/3/2017	By Suresh	40,000
25/3/2017	To Goyal	33,000	24/3/2017	By Ramesh	1,50,000
31/3/2017	To Patel	65,000	31/3/2017	By Balance c/d	3,13,000
		<b>7,93,000</b>			<b>7,93,000</b>

Pass Book

Date	Particulars	Amount Dr. ₹	Amount Cr. ₹	Dr. or Cr.	Balance ₹
1/4/2017	By Balance b/d		3,65,000	Cr.	3,65,000
3/4/2017	By Goyal		33,000	Cr.	3,98,000
5/4/2017	By Patel		65,000	Cr.	4,63,000
7/4/2017	To Naresh	2,80,000		Cr.	1,83,000
12/4/2017	To Ramesh	1,50,000		Cr.	33,000
15/4/2017	To Bank Charges	200		Cr.	32,800
20/4/2017	By Usha		17,000	Cr.	49,800
25/4/2017	By Kalpana		38,000	Cr.	87,800
30/4/2017	To Sunil	6,200		Cr.	81,600

Reconcile the balance of cash book on 31/3/2017.

**Q.10** Following is the extract of Cash Book (Bank Column only) and Pass Book. Prepare Bank Reconciliation statement as on 31st October 2018.

In the books of \_\_\_\_\_

Dr. Cash Book (Bank Column only) Cr.

Date 2018 Oct	Receipts	Amount (₹)	Date 2018 Oct	Payment	Amount (₹)
01	To Balance b/d	10,000	07	By Tejas	12,200
05	To Aparna	5,000	10	By Anil	3,000
08	To Apoorva	6,000	17	By Advertisement	2,000
12	To Omkar	3,000	20	By Drawings	1,000
20	To Sunil	4,000	31	By Balance c/d	9,800
		28,000			28,000

In the Books of Bank

Pass book

Date 2018 Oct	Withdrawals	Amount (₹)	Date 2018 Oct	Deposits	Amount (₹)
07	To Interest	500	01	By Balance b/d	10,000
10	To Insurance premium	2,000	10	By Apoorva	6,000
13	To Anil	3,000	22	By Sunil	4,000
20	To Telephone bill	2,000	24	By Raju	2,000
20	To Drawings	1,000	27	By Swanand	3,000
31	To Balance c/d	16,500			
		25,000			25,000

**Q.11** When Nikki & Co. received a Bank Statement showing a favourable balance of ₹ 10,39,200 for the period ended on 30th June, 2017, this did not agree with the balance in the cash book. An examination of the Cash Book and Bank Statement disclosed the following :

1. A deposit of ₹ 3,09,200 paid on 29th June, 2017 had not been credited by the Bank until 1st July, 2017.
2. On 30th March, 2017 the company had entered into hire purchase agreement to pay by bank order a sum of ₹ 3,00,000 on the 10th of each month, commencing from April, 2017. No entries had been made in Cash Book.
3. A customer of the firm, who received a cash discount of 4% on his account of ₹4,00,000 paid the firm a cheque on 12th June. The cashier erroneously entered the gross amount in the bank column of the Cash Book.
4. Bank charges amounting to ₹ 3,000 had not been entered in Cash-Book.
5. On 28th June, a customer of the company directly deposited the amount in the bank ₹ 4,00,000, but no entry had been made in the Cash Book.
6. ₹ 11,200 paid into the bank had been entered twice in the Cash Book.
7. A debit of ₹ 11,00,000 appeared in the Bank Statement for an unpaid cheque, which had been returned marked 'out of date'. The cheque had been re-dated by the customer and paid into Bank again on 5th July, 2017.

Prepare Bank Reconciliation Statement on 30 June, 2017.



**Q.12** Ranganath has two accounts with Hanuman Bank Ltd. i.e. Account No.1 & Account No. 2. On 31.12.2018 his cash book showed balance of ₹ 5,400 & ₹ 2,70,400 in two accounts respectively.

On examination of banks statements following were noticed:

- (i) ₹ 27,000 has been transferred from Account No. 2 to Account No. 1 by bank without advice to Ranganath.
- (ii) Bank has charged ₹ 10 for each of 2 Accounts.
- (iii) Cheque for ₹ 5,421 issued in Account No. 1 not presented to bank.
- (iv) Cheque of ₹ 4,272 deposited by Ranganath into Account No. 2 credited by bank in Account No. 1.

Prepare BRS showing balance as per Bank Statement.

**J.K. SHAH<sup>®</sup>**  
CLASSES  
a Veranda Enterprise

## HOMework SECTION

**Q.13** According to the Cash-book of Gopi, there was a balance of ₹ 44,500 standing to his credit in bank of 30th June, 2019. On investigation you find that:

- (i) Cheques amounting to ₹ 60,000 issued to creditors have not been presented for payment till that date.
- (ii) Cheques paid into Bank amounting to ₹ 1,05,000 out of which cheques amounting to ₹ 55,000 only collected by the Bank up to 30th June, 2019.
- (iii) A dividend of ₹ 4,000 and rent amounting to ₹ 6,000 received by the Bank not entered in the Cash-book.
- (iv) Insurance premium (upto 31st December 2019) paid by the Bank ₹ 2,700 not entered in the Cash-book.
- (v) The payment side of the Cash-book had been under cast by ₹ 50.
- (vi) Bank charge ₹ 50, shown in the Pass-book has not been entered in the cashbook.
- (vii) A bill payable for ₹ 2,000 has been paid by the bank but is not entered in the cash book and bill receivable for ₹ 6,000 has been discounted with the Bank at a cost of ₹ 100 which has also not been recorded in Cash-book.

**You are required :**

- (a) To make the appropriate adjustments in the Cash-book, and
- (b) To prepare a statement reconciling it with the Bank Pass book.

**Q.14** Following are the entries recorded in the Bank Column of the Cash Book of Mr. X of the month ending on 31.3.2020.

Cash Book (Bank Column)

Date	Particulars	₹	Date	Particulars	₹
15.03.20	To cash	36,000	01.03.20	By Balance b/d	40,000
20.03.20	To Roy	24,000	04.03.20	By John	2,000
22.03.20	To Kapoor	10,000	06.03.20	By Krishnan	400
31.03.20	To Balance C/d	7,640	15.03.20	By Kailash	250
			20.03.20	By Joshi	35,000
		77,640			77,640

On 31-3-2020 Mr. X received the Bank Statement. On perusal of the statement Mr. X ascertained the following information:

- (i) Cheques deposited but not credited by the bank ₹ 10,000.
- (ii) Interest on securities collected by the bank but not recorded in cash book ₹1,080.
- (iii) Credit transfer not recorded in the cash book ₹ 200.
- (iv) Dividend collected by the bank directly but not recorded in the cash book ₹1,000.
- (v) Cheques issued but not presented for payment ₹ 37,400.
- (vi) Interest debited by the bank not recorded in the cash book ₹1,000.
- (vii) Bank charges not recorded in the cash book ₹ 340.

From the above information you are asked to prepare a Bank reconciliation statement to ascertain in the balance as per Bank Statement.

**Q.15** Prepare a Bank Reconciliation statement as on 30th September 2019 from the following particulars:

	₹
Bank balance as per the pass- book (credit)	10,000
Deposited into the bank, but no entry was passed in the Cash-Book	500
Cheque received, but not sent to bank	1,200
Insurance Premium paid directly by the bank under the standing advice	600
Bank charge entered twice in the Cash-book	20
Cheque issued, but not presented to the bank for payment	500
Cheque received entered twice in the Cash-Book	1,000
Bills discounted dishonoured not recorded in the Cash-book	5,200

**Q.16** From the following particulars, prepare the Bank Reconciliation Statement as on 30th September, 2019:

		₹
1	Bank overdraft as per Pass – book	21,494
2	A cheque deposited as per Pass – book, but not recorded in cash – book	700
3	Debit side of Bank column undercast	100
4	A cheque of ₹ 5,000 deposited, but credited in Pass – book as	4,996
5	A party's cheque returned dishonoured as per Pass – book only	530
6	Bills collected directly by Bank	3,500
7	Bank charges recorded twice in the Cash – book	25
8	A Bill for ₹ 8,000 discounted for ₹ 7,960 returned dishonoured by the Bank. Noting charges being	15
9	Cheque deposited, but not yet collected by the Bank	2,320
10	Cheque issued, but not yet presented to the bank for payment	1,250

**Q.17** On 30th September, 2018 my Cash Book (bank column account no. I) shows bank overdraft of ₹ 49,350. On-going through bank pass book I found the following:

- (i) Out of cheques drawn on 26/9 those of ₹ 3,700 were cashed by bankers on 2/10.
- (ii) Crossed cheque of ₹ 750 given to Abdul was returned by him & bearer cheque was issued to him on 1/10.



- (iii) Cash & cheque of ₹ 3,400 were deposited in bank on 29/9 but cheque worth ₹1,300 cleared by bank on 1/10 & one cheque of ₹ 250 not credited by Bank till 30/09 were returned by bank on later date.
- (iv) According to standing instructions bankers have on 30/9, paid ₹ 320 as interest to my creditors, paid my LIC premium of ₹ 160, paid a call on my shares ₹ 600. They have also received dividend of ₹ 150 & recovered insurance claim of ₹ 800 (charges & Bank commission on same being ₹ 15).  
I recorded all above transaction in cash book on 1/10.
- (v) My bankers seems to have given me wrong credit of ₹ 500 paid by me in my Account No. 2 & wrong debit in respect of cheque of ₹ 300 drawn against Account No. 2.  
Prepare BRS as on 30th September, 2018.

**Q.18** From the following particulars, ascertain the bank balance as per pass book of Mr. P. Rangarao as at 28th Feb., 2018.

- i. Credit balance as per Cash Book on 28th Feb, 2018 was ₹ 15,000.
- ii. Interest charged by the bank up to 28th February 2018 ₹ 50/- is recorded in the Pass Book only
- iii. Two Cheques of ₹ 900 and ₹ 1,500 were issued but out of them only one cheque of ₹ 900 was presented for payment upto 28th February, 2018.
- iv. Bank charges made by the bank ₹ 12 were recorded only in the pass Book.
- v. Dividends on shares ₹ 650/- were collected by the bankers directly for which Mr. Rangarao did not have any information.
- vi. Cheques paid into the bank ₹ 2,500 but cheques of ₹ 1,900 were cleared and credited by the bankers.





**Q.19** From the following particulars prepares a bank reconciliation statement as on 31st December 1993.

- 1) On 31st December the cash book of a firm showed a bank balance of ₹ 6000 (Debit balance)
- 2) Cheque has been issued for ₹ 5,000 out of which cheque worth ₹ 4,000 only were presented for payment.
- 3) Cheque worth ₹ 1,400 were deposited in the bank on 28th December but had not been credit by the bank. in addition to this,one cheque worth Rs500 was entered in the cash book on 30th December but was banked on 3-1.
- 4) A cheque from susan for ₹ 400 was deposited in the bank on 26th December but was dishonoured and the advice was received on 2-1.
- 5) Pass book Showed bank charges of ₹ 20 debited by the bank.
- 6) One of the debtor deposited a sum of ₹ 500 in the bank account of the firm on 20th December but the intimation in this respect was received from the bank on 2-1.
- 7) Bank pass book showed a credit balance of ₹ 5,180 on 31st December,1993.

**PAST EXAM**

**Q.20** The Bank Pass Book of Account No.5678 of Mrs. Rani showed an overdraft of ₹33,575 on 31st March 2018. Ongoing through the Pass Book, the accountant found the following:

- (i) A Cheque of ₹ 1,080 credited in the pass book on 28th March 2018 being dishonoured is debited again in the pass book on 1st April 2018. There was no entry in the cash book about the dishonour of the cheque until 15th April 2018.
- (ii) Bankers had credited her account with ₹ 2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.
- (iii) Out of ₹ 20,500 paid in by Mrs. Rani in cash and by cheques on 31st March 2018 cheques amounting to ₹ 7,500 were collected on 7th April, 2018.
- (iv) Out of Cheques amounting to ₹ 7,800 drawn by her on 27th March, 2018 a cheque for ₹ 2,500 was encashed on 3rd April, 2018.
- (v) Bankers seems to have given here wrong credit for ₹ 500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 300 against her account No.8765.
- (vi) A cheque for ₹ 1,000 entered in Cash Book but omitted to be banked on 31st March, 2018.
- (vii) A Bill Receivable for ₹ 5,200 previously dishonoured (Discount ₹ 200) with the Bank had been dishonoured but advice was received on 1st April, 2018.
- (viii) A Bill for ₹ 10,000 was retired /paid by the bank under a rebate of ₹ 175 but the full amount of the bill was credited in the bank column of the Cash Book.
- (ix) A Cheque for ₹ 2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2018.

Prepare Bank Reconciliation Statement as on 31st March, 2018.

**(MAY 2018)**

**Q.21** Prepare a bank reconciliation statement from the following particulars as on 31st March, 2018.

Particulars	₹
Debit balance as per bank column of the cash book	18,60,000
Cheque issued to creditors but not yet presented to the Bank for payment	3,60,000
Dividend received by the bank but not entered in the Cash book	2,50,000
Interest allowed by the Bank	6,250
Cheques deposited into bank for collection but not collected by bank up to this date	7,70,000
Bank charges not entered in Cash book	1,000
A cheque deposited into bank was dishonoured, but no intimation received	1,60,000
Bank paid house tax on our behalf, but no intimation received from bank in this connection	1,75,000

(NOV 2018)

**Q.22** Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2018 from the particulars given below

- (i) The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2018.
- (ii) A cheque worth ₹ 400 directly deposited into Bank by customer but no entry was made in the Cash Book.
- (iii) Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2018.
- (iv) A cheque for ₹ 4,000 received and entered in the Cash Book but it was not sent to the Bank.



- (v) Cheques worth ₹ 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.
  - (1) Cheques collected before 30th June, 2018, ₹ 14,000
  - (2) Cheques collected on 10th July, 2018, ₹ 4,000
  - (3) Cheques collected on 12th July, 2018, ₹ 2,000.
- (vi) The Bank made a direct payment of ₹ 600 which was not recorded in the Cash Book.
- (vii) Interest on Overdraft charged by the bank ₹ 1,600 was not recorded in the Cash Book.
- (viii) Bank charges worth ₹ 80 have been entered twice in the cash book whereas Insurance charges for ₹ 70 directly paid by Bank was not at all entered in the Cash Book.
- (ix) The credit side of bank column of Cash Book was under cast by ₹ 2,000.

(May 2019)

**Q.23** On 30th September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of ₹ 8,062. An examination of the Cash book and Bank Statement reveals the following:

- (i) A cheque for ₹ 11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.
- (ii) A payment by cheque for ₹ 18,000 has been entered twice in the Cash book.
- (iii) On 29th September, 2018, the bank credited an amount of ₹ 1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.
- (iv) Bank charges amounting to ₹ 280 had not been entered in the cash book.
- (v) On 6th September 2018, the bank credited ₹ 30,000 to XYZ in error.

- (vi) A bill of exchange for ₹ 1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.
- (vii) Cheques issued upto 30th September, 2018 but not presented for payment upto & that date totalled ₹ 13,46,000.
- (viii) 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.

**You are required:**

To show the appropriate rectifications required in the cash book of XYZ, to arrive at the correct balance on 30th September, 2018 and to prepare a Bank Reconciliation Statement as on that date.

(Nov 2019)

**Q.24** On 31-3-2020, Mahesh's Cash Book Showed a Bank overdraft of ₹ 98,700. On comparison he finds the following :

- (1) Out of the total cheques of ₹ 8,900 issued on 27th March, one cheque of ₹ 7,400 was presented for payment on 4th April and the other cheque of ₹ 1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.
- (2) Out of total cash and cheques of ₹ 6,800 deposited in the Bank on 24th March, one cheque of ₹ 2,600 was cleared on 3rd April and the other cheque of ₹ 500 was returned dishonoured by the bank on 4th April.
- (3) Bank charges ₹ 35 and Bank interest ₹ 2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.
- (4) A cheque deposited in his another account of ₹ 1,550 wrongly credited to this account by the bank.
- (5) A cheque of ₹ 800, drawn on this account, was wrongly debited in another account by the bank.
- (6) A debit of ₹ 3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2020.

- (7) The bank allowed interest on deposit ₹ 1,000.
- (8) A customer who received a cash discount of 4% on his account of ₹1,00,000 paid a cheque on 20th March, 2020. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

Prepare Bank Reconciliation Statement as on 31-3-2020.

(Nov 2020)

**Q.25** From the following information, ascertain the Cash Book balance of Mr. Bajaj as on 31st March, 2021:

- (i) Debit balance as per Bank Pass Book ₹ 3,500. (5 Marks)
- (ii) A cheque amounting to ₹ 2,500 deposited on 15th March, but the same was returned by the Bank on 24th March for which no entry was passed in the Cash Book.
- (iii) During March, two bills amounting to ₹ 2,500 and ₹ 500 were collected by the Bank but no entry was made in the Cash Book.
- (iv) A bill for ₹ 5,000 due from Mr. Balaji previously discounted for ₹ 4,800 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book.
- (v) A Cheque for ₹ 1,500 was debited twice in the cash book.

(July 2021)

**Q.26** According to the cash-book of G there was balance of ₹ 4,45,000 in his bank on 30th June, 2021 On investigation you find that:

- (i) Cheques amounting to 60,000 issued to creditors have not been presented for payment till the date
- (ii) Cheques paid into bank amounting to 1,10,500 out of which cheques amounting to ₹ 55,000 only collected by bank up to 30th June 2021
- (iii) A dividend of ₹ 4,000 and rent amounting to 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.
- (iv) Insurance premium (up to 31st December, 2020) paid by the bank ₹ 2,700 not entered in the cash book.
- (v) The payment side of the cash book had been under cast by ₹ 500
- (vi) Bank charges ₹ 150 shown in the pass book had not been entered in the cash book.
- (vii) A bill payable of ₹ 20,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 6,000 had been discounted with the bank at a cost of ₹ 100 which had also not been recorded in cash book.

You are required:

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

(Dec 2021)



**Q.27** From the following particulars, prepare a Bank Reconciliation Statements as on 31st December, 2022.

- (i) Debit balance (overdraft), shown by the pass book ₹ 2,48,000
- (ii) Cheques of ₹ 2,10,000 were issued in the last week of December, but of these ₹ 1,40,000 only were presented for payment.
- (iii) A Cheque for ₹ 19,200 drawn for the payment of telephone bill had been entered in the cash book as ₹ 29,200 but was shown correctly in the bank statement.
- (iv) A Cheque received of ₹ 37,520 entered twice in the cash Book.
- (v) A Cheque for ₹ 1,17,000 was issued for purchase of merchandise and was paid by the bank but not recorded in cash book.
- (vi) Interest on overdraft and bank charges amounting to ₹ 3,500 were not entered in the Cash Book.
- (vii) A Cheque for ₹ 45,000 was credited in the Pass Book but not recorded in the Cash Book.
- (viii) A bill of exchange for ₹ 26,200 which was discounted with bank, returned dishonored but no entry was made in the cash book.
- (ix) Payment side of the Cash Book has been undercast by ₹ 12,000. (Dec 2023)



## OBJECTIVE

**Q.1 State with reasons whether the following statements are True or False:**

1. Bank Reconciliation Statement is prepared to arrive at bank balance.

**Ans. False** – BRS is prepared to explain the cause of difference between balance of Cash Book & Pass Book on particular date.

2. Bank Reconciliation Statement is part of Cash Book.

**Ans. False** – BRS is not a part of account books. It is a statement explaining difference between balance as per Cash Book & Pass Book.

3. A Bank Reconciliation Statement is prepared by bank

**Ans. False** – BRS is prepared by business concerns to reconcile difference between balance as per Cash Book & Pass Book.

4. Bank Reconciliation Statement is prepared with the help of Bank Column & Cash Column of Cash Book.

**Ans. False** – BRS is prepared by comparing Bank Column of Cash Book & Bank Statement.

5. Pass Book is the copy of Bank Column in Cash Book

**Ans. False** – Pass Book is copy of business concerns account in banks books.

6. Bank Overdraft means Debit Balance of Cash Column in three column Cash Book.

**Ans. False** – Bank Overdraft means Credit Balance (Payment side more) in bank column of three column Cash Book.

7. A crossed cheque is always payable across the bank counter.

**Ans. False** – Crossed cheque is to be deposited in recipient account & payable in the account directly.



8. If the balance as per Cash Book & Pass book is same, there is no need to prepare Bank Reconciliation Statement.

**Ans. True** – BRS is prepared to reconcile difference between balance as per Cash Book & Pass book.

9. Bank balance shown in trial balance & balance sheet is balance as per bank statement.

**Ans. False** – Trial Balance & Subsequently balance sheet is derived from books of accounts including cash book. So Bank balance in Trial balance & Balance sheet should be balance as per Cash Book (Bank column).

**Q.2** If balance as per Cash Book is starting point, what will be the effect of following transactions on BRS.

1. Bills Receivable for ₹ 6,000 has been discounted by bank (Discount = ₹ 100) not recorded in Cash Book.
2. Credit transfer not recorded in cash book ₹ 200.
3. Deposit in transit ₹ 1,250.
4. Unpresented cheque ₹ 500.
5. Uncollected cheque ₹ 1,000.
6. Amount of ₹ 600 transfer from Savings to Current Account by bank.
7. Amount of ₹ 10,000 transfer from Current account to fixed deposit account by bank.
8. Cash embezzlement by Cashier ₹ 15,000.

**Q.3 Multiple Choice Questions:**

1. When the balance as per Cash Book is the starting point, direct deposits by customers are:  
(a) Added      (b) Subtracted      (c) Not required to be adjusted.

2. A debit balance in the depositor's Cash Book will be shown as:
- (a) A debit balance in the Bank Statement.
  - (b) A credit balance in the Bank Statement.
  - (c) An overdrawn balance in the Bank Statement.
3. When balance as per Pass Book is the starting point, interest allowed by Bank is
- (a) Added
  - (b) Subtracted
  - (c) Not required to be adjusted.
4. A Bank Reconciliation Statement is prepared with the help of:
- (a) Bank statement and bank column of the Cash Book.
  - (b) Bank statement and cash column of the Cash Book
  - (c) Bank column of the Cash Book and cash column of the Cash Book.
5. The cash book showed an overdraft of ₹ 1,50,000, but the pass book made up to the same date showed that cheques of ₹ 10,000, ₹ 5,000 and ₹ 12,500 respectively had not been presented for payments; and the cheque of ₹ 4,000 paid into account had not been cleared. The balance as per the pass book will be:
- (a) ₹ 1,10,000
  - (b) ₹ 2,17,500
  - (c) ₹ 1,26,500
6. When drawing up a Bank Reconciliation Statement, if you start with a debit balance as per the Bank Statement, the unpresented cheques should be:
- (a) Added;
  - (b) Deducted;
  - (c) Not required to be adjusted.
7. When drawing up a BRS if you start with a Dr. Balance as per Bank Statement, the following are added:
- 1. Cheque issued but not presented to bank
  - 2. B/R collected directly by bank
  - 3. Overcasting of the Dr. Side of bank A/c in the cash book.
- (a) only 1
  - (b) only 1 & 2
  - (c) all of the above
  - (d) only 3.
8. Favorable balance as per cash book means
- (a) Debit balance in bank column of the cash book
  - (b) Debit balance in pass book
  - (c) Credit balance in bank column of cash book
  - (d) None of these



9. In arriving at adjusted cash balance which of the following is not taken into account
- (a) Amount deposited by our customer directly in our account
  - (b) Error in cash book
  - (c) Error in pass book
  - (d) All of these

**ANSWER**

If balance as per Cash Book is starting point, what will be the effect of following transactions on BRS.

1. Add ₹ 5,900.

2. Add ₹ 200.

3. Less ₹ 1,250.

4. Add ₹ 500.

5. Less ₹ 1,000.

6. Add ₹ 600.

7. Less ₹ 10,000.

8. No effect on BRS.

**Multiple Choice Questions:**

1.	(a)	4.	(a)	7.	(b)
2.	(b)	5.	(c)	8.	(a)
3.	(b)	6.	(a)	9.	(c)



## TEST PAPER

Marks - 50

**Q.1 State with reasons whether the following statements are True or False.**

**(8)**

1. Bank Reconciliation Statement is prepared to arrive at bank balance.
2. Bank Reconciliation Statement is part of Cash Book.
3. A Bank Reconciliation Statement is prepared by bank
4. If the balance as per Cash Book & Pass book is same, there is no need to prepare Bank Reconciliation Statement.

**Q.2 If overdraft as per Pass Book on 31st March 2018 is starting point, what will be the effect of following transactions on BRS as on 31st March 2018.**

**(5)**

1. A cheque of ₹ 1,080 credited in the pass book on 28th March 2018 being dishonoured is debited again in the pass book on 1st April 2018. There was no entry in the cash book about the dishonoured of the cheque until 15th April 2018.
2. A bills receivable for ₹ 5,200 previously dishonoured (discount ₹ 200) with the bank has been dishonoured but advice was received on 1st April 2018.

**Q.3 Multiple Choice Questions:**

**(2)**

1. Favorable balance as per cash book means
  - (a) Debit balance in bank column of the cash book
  - (b) Debit balance in pass book
  - (c) Credit balance in bank column of cash book
  - (d) None of these
2. In arriving at adjusted cash balance which of the following is not taken into account
  - (a) Amount deposited by our customer directly in our account
  - (b) Error in cash book
  - (c) Error in pass book
  - (d) All of these

**Q.4 On 30th September, 2018 my Cash Book (bank column account no. I) shows bank overdraft of ₹ 49,350. On-going through bank pass book I found the following:**

- i. Out of cheques drawn on 26/9 those of ₹ 37,000 were cashed by bankers on 2/10.
- ii. Crossed cheque of ₹ 7,500 given to Aman was returned by him & bearer cheque was issued to him on 1/10.
- iii. Cash & cheque of ₹ 34,000 were deposited in bank on 29/9 but cheque worth ₹ 13,000 cleared by bank on 1/10 & one cheque of ₹ 2,500 not credited by Bank till 30/09 were returned by bank on later date.
- iv. According to standing instructions bankers have on 30/9, paid ₹ 3,200 as interest to my creditors, paid my LIC premium of ₹ 1,600, paid a call on my shares ₹ 6,000.  
They have also received dividend of ₹ 1,500 & recovered insurance claim of ₹ 8,000 (charges & Bank commission on same being ₹ 150).  
I recorded all above transaction in cash book on 1/10.
- v. My bankers seems to have given me wrong credit of ₹ 5,000 paid by me in my Account No. 2 & wrong debit in respect of cheque of ₹ 3,000 drawn against Account No. 2.

Prepare BRS as on 30th September, 2018.

**(20)**

**Q.5 Deep Ltd. received its bank statement for the period ended 30th June 2019 but this does not agree with the balance shown in the Cash Book of ₹ 2,972 in company's favour.**

Examination of the two records, revealed the following:

1. A deposit of ₹ 492 paid in on 29th June 2019 had not been credited by the bank until 1st July 2019.
2. Bank charges amounting to ₹ 17 had not been entered in the Cash Book.
3. A standing order for payment of an annual subscription amounting to ₹ 10 had not been entered in the Cash Book.
4. On 27th June, two customers of Deep Ltd. had paid direct to the company's bank account ₹ 499 and ₹ 157 for goods supplied. The advices were not received by the company until 1st July and were entered in the Cash Book under that date.
5. On 30th March 2019, the company had entered into a hire purchase agreement to pay by Banker's order a sum of ₹ 26 on the 10th day of each month commencing from April. No entries had been made in the Cash Book.
6. ₹ 364 paid into the Bank had been entered twice in cash book.
7. Cheque issued amounted to ₹ 4,672 had not been presented to the bank for payment until after 30th June.
8. A customer of the company, who received a cash discount of 2.5% on his account of ₹ 200, paid the company a cheque on 10th June. The Cashier, in error, entered the gross amount in the bank column of the cash book.

**You are required:**

- (a) To show the necessary adjustments in the Cash Book of Deep Ltd. bringing down the correct balance on 30th June 2019.
- (b) To prepare a reconciliation statement.

**(15)**