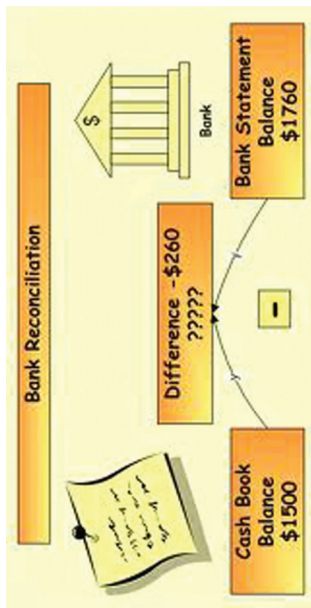


MODULE - II*Journal and Other
Subsidiary Books*

Notes

8**BANK RECONCILIATION
STATEMENT**

If you are a businessman, you must be having a bank account. Whatever banking transactions you do, you record them in bank column of the cash book, while the bank is having account in your name in its ledger, copy of your account in the form of pass book or bank statement is sent to you. If you record all the transactions correctly in your cash book and bank in its ledger both will show same balance on any date. But if you find a difference then what will you do? You will compare the two and find out the reasons of difference. You can prepare a statement putting up all items of difference in such a way that you can ascertain the correct balance. This statement is called Bank Reconciliation Statement.

In this lesson you will learn the meaning of Bank Reconciliation Statement, objectives of preparing it, main reasons of difference between cash book balance and pass book balance and preparation of the statement.

**OBJECTIVES**

After studying this lesson, you will be able to

- state the meaning and need of preparing Bank Reconciliation Statement;
- explain the reasons for difference between the balances of Cash Book and Pass Book and
- understand the preparation of Bank Reconciliation Statement.

8.1 BANK RECONCILIATION STATEMENT - MEANING AND NEED

Bank Reconciliation Statement is a statement prepared, periodically with a view to enlist the reasons for difference between the balances as per the bank column of the cashbook and pass book/bank statement on any given date.

Need of preparing Bank Reconciliation Statement

A Bank Reconciliation Statement is a statement reconciling the balance as shown by the bank passbook and the balance as shown by the Bank column of the

Bank Reconciliation Statement

Cashbook. The objective of preparing such a statement is to know the causes of difference between the two balances and to reconcile these differences.

8.2 CAUSES OF DIFFERENCES BETWEEN CASH BOOK AND PASS BOOK

The reasons for difference in balance of the cash book and pass book are as under:

- i) **Cheques issued by the Trader but not yet presented for payment :**
When cheques are issued by Trader in favour of his creditors, these are shown on the payment side of the bank column of the cash book. It reduces the bank balance as per cash book. The bank will debit the firm's account when these cheques are presented for payment. There is a time period between the issue of cheque and its being presented in the bank for payment. This may cause difference to the balance of cash book and pass book.
- ii) **Cheques deposited into bank but not yet collected or credited by the Bank :** When cheques are deposited into bank, the firm immediately enters it on the debit side of the bank column of cash book. It increases the bank balance as per the cash book. However, it takes time in, collecting the amount of cheques, so Bank Balance does not increase on the same date on which cheque has been deposited in the bank. This may cause the difference between cash book and pass book balance.
- iii) **Amount directly deposited by customers/debtors in the bank account:**
When the debtors of the businessman have been given the authority to deposit the amount due from them in the firm's account with the bank, the bank credits the firm's account with the amount deposited but the same amount is not recorded in the cash book on the day it is deposited. As a result the balance in the cash book will be less than the balance shown in the Pass book.
- iv) **Bank charges charged by the Bank :** The bank charges, fees or commission from time to time for various services provided to the customer and debits the customers' account without intimation to the firm/customer. As a result, the balance of the cash book will be more than the balance of the pass book.
- v) **Interest and dividend received by the bank on behalf of the customer:**
The interest on debentures or dividend on shares held by the account holder is directly deposited by the company in the bank account of customer through Electronic Clearing System (ECS). But there may not be any entry in the cash book for such items because the firm does not get the information till it receives the bank statement. As a consequence, the firm enters it in its cash

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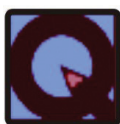


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Bank Reconciliation Statement

book on a date later than the date on which it is recorded by the bank. As a result, the balance as per cash book and pass book will differ.

- vi) **Direct payments made by the bank on behalf of the customer :** The firm may give standing instructions to its banker to make payment of telephone bills, rent, insurance premium, taxes, etc. On making such payments, the bank will debit the firm's account immediately, but the firm will record the same on receiving information from the bank in the form of Pass Book or bank statement. As a result, the balance of the pass book is less than that of the balance shown in the bank column of the cash book.
- vii) **Dishonour of cheques deposited with bank :** A firm may receive a number of cheques from its customers. Some of the cheques deposited by the firm with the bank may be dishonoured. In this case, the Bank debits firm's account. But the firm records the same when it receives the information from the bank. As a result, the balance as per cash book and that of pass book will differ.
- viii) **Errors committed in recording transactions by the firm :** The firm may commit certain errors e.g., omission or wrong recording of transactions relating to cheques deposited, cheques issued and wrong balancing etc. In this case, there would be a difference between the balances as per Cash Book and as per Pass Book.
- ix) **Errors committed in recording transactions by the Bank :** The bank may also committ errors while recording transactions in the customer's account, e.g., omission or wrong recording of transactions relating to cheques deposited etc. As a result, the balance of the bank pass book and cash book will not agree.



INTEXT QUESTIONS 8.1

- I. **In each of the following cases indicate the alternative which you consider to be correct.**
 - i. A bank reconciliation statement is prepared to know the causes for the difference between :
 - a) the balance as per cash column of the cash book and pass book
 - b) the balance as per bank column of the cash book and pass book
 - c) neither of the two .

Bank Reconciliation Statement

- ii. Bank reconciliation statement is :
 - a) a Ledger account
 - b) a part of the cash book
 - c) a statement separately prepared to find out the causes of difference between bank column of cash book and pass book.
- iii. A bank reconciliation statement is prepared with the help of :
 - a) Bank pass book and bank column of cash book,
 - b) Bank pass book and cash column of cash book
 - c) Neither of the two.

II. Fill in the blanks with suitable word/words

- i. The copy of customers account with the bank is called _____
- ii. The cheques deposited are entered on the _____ of the bank column of cash book.
- iii. Bank reconciliation statement is prepared to _____ the bank balance as shown by the cash book and the bank statement.

III. Given below are statements. Some of these statements are true and some are false. Write 'T' for True and 'F' for false statements.

- i. Bank credits trader's account as soon as it receives cheques from the firm.
- ii. Bank makes certain payments on behalf of the customer under his standing instructions.
- iii. Bank charges are never entered in the cash book.
- iv. Direct receipts by the bank on behalf of customer would increase the balance shown by pass-book.

8.3 PREPARATION OF BANK RECONCILIATION STATEMENT

Before preparing Bank Reconciliation Statement first we should check whether balance is positive or negative.

- I. **Favourable balances :** There are two possibilities :
 - a. Debit balance as per cash book is given and the balance as per pass book is to be ascertained.
 - b. Credit balance as per pass book is given and the balance as per cash book is to be ascertained.

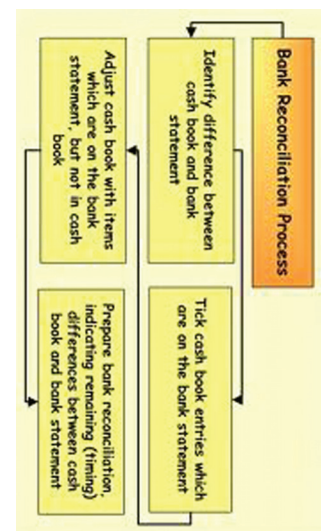
As you have already studied that the Bank Reconciliation statement is prepared to reconcile the differences in the balances of Cash Book and Pass Book. If Cash Book Debit balance or balance as per cash book is given then we have to reconcile with the balance of Pass Book.

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Journal and Other Subsidiary Books



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MODULE - II**Journal and Other
Subsidiary Books****Notes****Bank Reconciliation Statement**

To reconcile the Cash Book's balance with the balance of the Pass Book take up all the points of differences and add all the amounts to the balance of cash book which are credited in the Pass Book but not in the Cash Book balance and subtract all such items which are showing less balance in Pass Book for example –

- i. A cheque amounting to ₹ 5,000 was issued but it was not presented into the bank for payment. It shows that the Cash Book will be showing lesser balance than Pass Book balance. Therefore, ₹ 5,000 will be added to the balance of cash book & balances of both the books will be the same.
- ii. On the other hand a customer of the account holder has deposited ₹ 3,000 directly into the Bank under standing orders of the businessman. The result will be more balance in Pass Book than cash book's balance. If this amount ₹ 3000 is added with the balance of Cash Book, then both the books will show the same balance.
- iii. In case of Bank charges etc. Pass Book's balance is decreased by the Bank. In such a case to reconcile the balance of the Cash Book with Pass Book, the Cash Book's balance will be decreased.

To summaries, it is suggested that if the balance of Cash Book is given, and we have to reconcile with Pass Book. Then the causes of differences of all the transaction will have to be checked and the item which are added in the balance of Pass Book will be added, the items which are subtracted from Pass Book will be deducted from the balance of the Cash Book, as it is clear from the above examples.

Note : If overdraft as per cash book is given, only the overdraft amount will be written in Minus (-) columns, rest of the activities will be the same.

In case of Pass book's credit balance or balance as per Pass Book is given, the reverse steps will be taken to reconcile the balance of the Pass Book with Cash Book. Same steps will be applied in case of an overdraft as per Pass Book to reconcile with Cash Book.

Format of Bank Reconciliation Statement

Bank reconciliation statement is a statement, not an account. It can be prepared by using various methods. Thus, different formats are used for preparing it. A simple format of Bank Reconciliation Statement is given as follows:

Bank Reconciliation Statement

Bank Reconciliation Statement as on

Particulars	Plus Items (+) (₹)	Minus Items (-) (₹)
Balance as per Cash Book/Pass Book (i.e. given Balance)		
Add : (Effect or causes of Difference		
Less : i.e. Plus or Minus)		
Total
Balance as per Pass Book/ Cash Book		

In case Cash Book shows a credit bank balance or Pass Book shows a debit balance, while preparing Bank reconciliation statement, it will be shown in the minus column.

The following illustrations will help you to understand the preparation of Bank Reconciliation Statement with the favourable balance as per cash book or pass book.

Illustration 1 (Balance as per Cash Book) :

From the following particulars of M/s ABC Ltd., prepare bank reconciliation statement as on 31.7.2012

- i. Bank balance as per cash book ₹ 62,500
- ii. Cheques deposited into bank but not credited upto 31.7.2012 ₹ 8,900
- iii. Cheques issued but not presented for payment till 31.7.2012 ₹ 12,500
- iv. Bank credited ₹ 5,000 for receiving dividend.
- v. Bank charges debited by Bank ₹ 400.

Solution

Bank Reconciliation Statement of M/s ABC Ltd. As on July 31, 2012

Particulars	(Plus) (₹)	(Minus) (₹)
i. Balance as per cash book	62,500	
ii. Cheques deposited but not credited by the Bank		8,900
iii. Cheques issued but not presented for payment	12,500	

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Bank Reconciliation Statement

iv. Dividend received	5,000	
v. Bank charges debited by bank		400
Balance as per pass book		70,700
Total	80,000	80,000
(as the total of plus column is greater than the total of minus column.)		

Illustration 2 (Balance as per Cash Book)

From the following particulars of Deep Traders, prepare a bank reconciliation statement on June 30, 2012.

- i. Balance as per the cash book ₹ 1,00,000
- ii. Cheques for ₹ 17,550 are deposited in the bank but not yet collected by the Bank.
- iii. ₹ 5250 charges for Credit Card fee is debited by bank, which is not recorded in cash book.
- iv. There was also a debit in the pass book of ₹ 40,000 in respect of a discounted bill dishonoured.

Solution

Bank Reconciliation Statement of M/s Deep Traders as on June 30, 2012

Particulars	(Plus) (₹)	(Minus) (₹)
i. Balance as per cash book	1,00,000	
ii. Cheques deposited but not credited by the Bank		17,550
iii. Credit card fee charges debited by the Bank		5,250
iv. Discounted bill dishonoured recorded only in Pass book.		40,000
Balance as per Pass Book		37,200
Total	1,00,000	1,00,000

Illustration 3 (Balance as per Pass Book)

From the following particulars of M/s XYZ Ltd., prepare bank reconciliation statement as on 31.7.2012.

- i. Balance as per pass book i.e. ₹ 70,700 as the starting point.
- ii. Cheques deposited into bank but not credited upto 31.7.2011 ₹ 8,900
- iii. Cheques issued but not presented for payment till 31.7.2011 ₹ 12,500.
- iv. Bank credited ₹ 5,000 for receiving dividend.
- v. Bank charges debited by Bank ₹ 400

Bank Reconciliation Statement

Solution

Bank Reconciliation Statement of M/s XYZ Ltd. As on 31st July 2012

Particulars	(Plus) (₹)	(Minus) (₹)
i. Balance as per pass book	70,700	
ii. Cheques deposited but not credited by the Bank	8,900	
iii. Cheques issued but not presented for payment		12,500
iv. Dividend received		5,000
v. Bank charges debited by bank	400	
Balance as per cash book		62,500
Total	80,000	80,000

Illustration 4 (Balance as per Pass Book)

Bank Pass book of M/s Telex Industries showed a credit balance of ₹ 1,27,350 on July 31, 2012. The following differences were found on that date between the cash book and the pass book balances :

- Cheques issued before July 31, 2012, amounting to ₹ 79,000 had not been presented for payment.
- Two cheques of ₹ 5,000 and ₹ 3,500 were deposited into bank on July 31, but the bank credited for the same in August.
- Insurance premium directly paid by bank ₹ 5,000
- ₹ 2,000 wrongly debited to the firm account by the Bank.

Prepare Bank Reconciliation Statement as on July 31, 2012.

Solution

Bank Reconciliation Statement of M/s Telex Industries As on July 31, 2012

Particulars	(Plus) (₹)	(Minus) (₹)
i. Balance as per Pass Book	1,27,350	
ii. Cheques issued but not presented for payment		79,000
iii. Cheques deposited but credited by the bank in August.	8,500	
iv. Insurance premium directly paid by Bank	5,000	
v. Wrongly debited by the bank.	2,000	
Balance as per cash book		63,850
Total	1,42,850	1,42,850

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Cash Book - January					
Day	Details	Inflow	Day	Details	Outflow
1	Opening Balance	111	1	Janet	320
2	Harold	1560	3	Agrera	45
5	Lone G	810	6	Maxim	1800
14	Boby G	665	8	Wanderland	200
17	Xavier	2340	10	Novel	1507
21	Lisa	94	15	Gedret	311
27	Big Bang	124	24	Faust	98
31	Ball	1566	28	Logan	224
31	Closing balance	2018	31	Oliver	540

Bank Statement - January					
Day	Details	Outflow	Inflow	Balance	
1		320	1560	1240	234
2	Cheques received	45	-	1195	189
4	825	1800	-	370	1474
7	Cheques received	-	610	980	1429
9	827	200	-	780	439
11	828	1587	-	620	239
11	British way	600	-	20	-1328
15	Cheques received	-	665	185	-1428
16	829	31	-	154	-553
18	Cheques received	-	2340	386	-874
22	Cheques received	-	54	440	2466
23	BC Way	-	1000	540	1500
26	830	98	-	442	2520
28	Cheques received	-	124	566	2546

Adjusted Cash Book - January					
Day	Details	Inflow	Day	Details	Outflow
31	Non-adj. balance	2438			
31	BC Way	1000	31	British way	100
31	Adjusted balance	3438			

MODULE - II**Journal and Other
Subsidiary Books****Notes****Bank Reconciliation Statement****II. When there is a Situation of Bank Overdraft**

When there is overdraft as per Cash Book or Pass Book it will be written in the Minus Column as it is a negative balance. Different items will be accordingly added or subtracted from the given overdraft as the case may be. However, it may be noted that when overdraft is treated as a negative balance and written in the minus column, all those items which appear in the minus column get added to it automatically. Similarly, all items written in the plus column get deducted out of it.

Illustration 5 (Overdraft as per Cash Book)

From the following particulars, ascertain the balance as would appear in the Pass Book of Manav Industrial Works on 31st July, 2012.

- i. Credit Balance as per Cash Book on 31st July, 2012 was ₹ 4,299
- ii. Cheques issued but not cashed prior to 31st July, 2012 amounted to ₹ 1,151
- iii. Cheques paid into Bank but not collected before 31st July amounted to ₹ 858
- iv. There was a debit of ₹ 40 for Bank charges in the Pass Book.

Solution

**Bank Reconciliation Statement of Manav Industrial Works
As on 31 July 2012**

Particulars	Amount (₹)	Amount (₹)
Overdraft as per Cash Book		4,299
i. Cheques issued but not yet presented for payment	1,151	
ii. Less cheques paid into Bank but not collected		858
iii. Bank Charges recorded in Pass Book only but not in cash Book.		40
Overdraft as per Pass-Book	4046	
Total	5197	5197

Illustration 6 : (Overdraft/Unfavourable balance as per pass book)

From the following particulars of Aman and Sons prepare bank reconciliation statement as on 31st December, 2012

	₹
i. Overdraft as per pass book (31 st Dec., 2012)	10,000
ii. Cheques issued but not presented	6,000
iii. Cheques deposited but not collected	1,800
iv. Dividends collected and credited by the bank which did not appear in the cash book	500

Bank Reconciliation Statement

- | | | |
|-----|--|-------|
| v. | Bank charges debited in the pass book but not yet recorded in the cash book | 200 |
| vi. | A bank draft on the request of Aman was issued by the bank which has not been recorded in the cash book. | 1,000 |

Solution

Bank Reconciliation Statement As on 31st December, 2012

Particulars	Plus (₹)	Minus (₹)
Overdraft (Dr. balance) as per Pass Book		10,000
Add: i. Cheques paid into bank but not collected	1,800	
ii. Bank charges debited in pass book	200	
iii. Draft issued by bank not recorded in the cash book	1,000	
Less: i. Cheques issued but not presented for payment		6,000
ii. Dividend collected and credited by bank		500
Cr. Balance as per Cash Book	13,500	
Total	16,500	16,500

Illustration 7 : (Unfavourable balance of pass book)

Prepare Bank Reconciliation statement from the following :

- | | |
|--|-------|
| | ₹ |
| i. Overdraft as per Pass Book on 31 st Dec., 2012 | 5,200 |
| ii. Cheque issued but not presented | 1,200 |
| iii. Interest collected by bank | 500 |
| iv. Interest charged on overdraft | 430 |
| v. Bank column of receipt side of Cash Book is overcast | 100 |
| vi. Bank column of payment side of Cash Book is undercast | 40 |
| vii. Bank issued draft to supplier as per instruction | 2,000 |
| viii. A cheque of ₹ 600 banked and credited, but omitted to be recorded in Cash book | |

Solution

Bank Reconciliation Statement As on 31st December, 2012

Particulars	Plus (₹)	Minus (₹)
Overdraft as per Pass Book		5,200
Add : (i) Interest Charged by bank on overdraft	430	

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Bank Reconciliation Statement

(ii) Bank column of receipt side of cash book is overcast	100	
(iii) Bank column of payment side of cash Bank is undercast	40	
(iv) Bank issued a draft	2,000	
Less: (i) Cheque issued but not presented		1,200
(ii) Interest collected by bank		500
(iii) Cheque credited in bank omitted to recorded in Cash Books		600
Overdraft as per Cash Book	4,930	
Total	7,500	7,500

Illustration 8 : (Unfavourable balance as per Cash Book)

Prepare a Bank Reconciliation Statement from the following particulars:

- On 31st March, 2012, the Cash Book showed a credit bank balance (i.e., bank overdraft) of ₹ 2,000
- Out of the total cheques amounting to ₹ 20,000 drawn, cheques aggregating ₹ 13,000 were encashed in March, cheques aggregating ₹ 4,000 were encashed in April and the rest have not been presented at all.
- Out of the total cheques amounting to ₹ 15,000 deposited, cheques aggregating ₹ 11,500 were credited in March, cheques aggregating ₹ 2,000 were credited in April, and the rest have not been collected at all.
- The bank has debited ₹ 1,500 on account of interest on overdraft and Rs. 100 as bank charges.
- The bank has credited ₹ 1,700 on account of interest collected on securities.
- A Bill Receivable of ₹ 1,000 (discounted with the bank in January) dishonoured on 31st March (but not yet recorded in the Cash Book).

Solution

Bank Reconciliation Statement As at 31st March, 2012

Particulars	Plus (₹)	Minus (₹)
Overdraft as per Cash Book (Cr.)		2,000
(i) Cheques drawn but not presented for payment till 31 st March	7,000	
(ii) Interest on securities collected by the Bank	1,700	
(iii) Cheques deposited but not collected till 31 st March		3,500
(iv) Interest on overdraft and bank charges		1,600
(v) Discounted bill receivable dishonoured		1,000
Overdraft as per Pass Book (Cr.)		600
Total	8,700	8,700

Bank Reconciliation Statement

Illustration 9 : (Unfavourable balance as per Cash Book)

Comparing Ram's Cash Book with the Bank Statement of his account for the month of November, 2012 the followings were noticed :

- Cash Book showed an overdraft of ₹ 45,000.
- A cheque for ₹ 17,500 drawn on his saving account has been shown as drawn on his Current Account.
- Cheques amounting to ₹ 70,000 drawn and entered in the Cash Book have not been presented.
- Cheques amounting to ₹ 60,000 sent to the bank for collection, which though entered in the Cash Book have not been credited by the bank.
- Bank charges of ₹ 1,750 as per Bank Statement have not been recorded in the Cash Book.
- Payment side of the Cash Book was by under cash ₹ 1,500.
- ₹ 35,000 dividend were collected by the bank on behalf of the customer.

Solution

Bank Reconciliation Statement As at 30th November, 2012

Particulars	Plus (₹)	Minus (₹)
Overdraft as per Cash Book (Cr.)		45,000
i. Payment side of the Cash Book is undercast		1,500
ii. Cheques drawn on saving account but wrongly shown as drawn on Current Account	17,500	
iii. Cheques issued but not yet presented for payment	70,000	
iv. Cheques paid into the bank but not yet credited		60,000
v. Bank charges		1,750
vi. Direct payment of dividend into the bank	35,000	
Overdraft as per Pass Book (Cr.)		14,250
Total	1,22,500	1,22,500

Illustration 10 : (Overdraft as per Pass Book)

On March 31, 2012 there is an Overdraft of ₹ 15,000 in the Pass Book of Sh. Jagdish Kumar. On comparison with the Cash Book, it was found that

- The bank has charged interest on overdraft for ₹ 600.
- Cheques for ₹ 80,000 were issued and out of these cheques only for ₹ 8,000 have been encashed.
- Cheques for ₹ 4,500 were deposited into bank but cheques for ₹ 500 only were cleared.
- The bank collected interest on his investments ₹ 600 and a direct payment was made into his account by a debtor of ₹ 900.

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Bank Reconciliation Statement

- v. He had received a cheque for ₹ 1,200 which he entered in the Cash Book but he forgot to send the cheque to the bank.

Prepare Bank Reconciliation Statement.

Solution

Bank Reconciliation Statement As on March 31, 2012

Particulars	Plus (₹)	Minus (₹)
Overdraft as per Pass Book		15,000
i. Interest on overdraft	600	
ii. Cheques issued but not presented for payment (₹ 80,000 – ₹ 8,000)		72,000
iii. Cheques deposited but not cleared and collected (₹ 4,500 – ₹ 500)	4,000	
iv. Interest collected by the bank		600
v. Direct payment into the bank		900
vi. Cheques entered in Cash Book but not sent to Bank	1,200	
Overdraft as per Cash Book (because 'minus' column total is more than 'plus' column)	82,700	
Total	88,500	88,500

Illustration 11 : (Overdraft as per Pass Book)

On March 31, 2012 the pass book of Rajat showed an overdraft of ₹ 5,000. The following discrepancies were noted on comparing with the Cash Book :

- Cheques issued before March 31, 2012 for ₹ 1,900 were presented for payment on April 4, 2012.
- Cheques for ₹ 8,200 deposited in the bank but cleared on April 2, 2012.
- Interest on overdraft ₹ 1,500 but it doesn't appear in Cash Book.
- Dividend of ₹ 6,000 collected by bank and entered in Pass Book. This is not there in Cash Book.
- Locker rent ₹ 80 not entered in Cash Book.
- A cheque of ₹ 7,800 was dishonoured but it does not appear in Cash Book.

Prepare Bank Reconciliation Statement as on March 31, 2012.

Bank Reconciliation Statement

Solution

Bank Reconciliation Statement As on March 31, 2012

Particulars	Plus (₹)	Minus (₹)
Overdraft as per Pass Book		5,000
i. Cheques issued but not presented for payment		1,900
ii. Cheques deposited but not yet cleared	8,200	
iii. Interest on Overdraft	1,500	
iv. Dividend collected by the bank		6,000
v. Locker rent charged by bank.	80	
vi. Cheques dishonoured	7,800	
Balance as per Cash Book		4,680
(as total of 'plus' column is more than that of 'minus' column)		
Total	17,580	17,580



Notes

Illustration 12 : (Overdraft as per Cash Book)

On September 30, 2012 there was an Overdraft at ₹ 7,700 as per the Cash book of a businessman. When it was compared with Pass Book it was discovered that:

- Cheques amounting to ₹ 3,500 were paid into Bank but those for only ₹ 1,000 were credited in Pass Book so far.
- Cheques amounting to 6,500 were issued in September but only cheques of ₹ 2,650 were presented for payment.
- A cheque received for ₹ 2,000 was entered in the Cash Book but was not sent to the bank at all.
- There is a debit in the Pass Book for ₹ 65 for bank charges and ₹ 35 for interest.
- ₹ 2,400 have been directly deposited into bank by somebody. It does not appear in the Cash Book.
- Insurance premium has been paid by the bank ₹ 1,500 under his standing instructions.

Prepare Bank Reconciliation Statement as on September 30, 2012.

Solution

Bank Reconciliation Statement As on September 30, 2012

Particulars	Plus (₹)	Minus (₹)
Overdraft as per Cash Book		7,700
i. Cheques deposited but not cleared (₹ 3,500 – ₹ 1,000)		2,500

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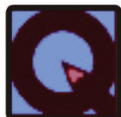
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Bank Reconciliation Statement

ii. Cheques issued but not encashed till date (₹ 6,500 – ₹ 2,650)	3,850	
iii. Cheque entered in Cash Book but not sent to bank.		2,000
iv. Bank charges		65
v. Interest charged by bank		35
vi. Amount directly deposited by some customer	2,400	
vii. Insurance premium paid by Bank under his standing Instruction.		1,500
Overdraft as per Pass Book (because the total of 'minus' column is more than the total of 'plus' column).	7,550	
Total	13,800	13,800



INTEXT QUESTIONS 8.2

- I. You are given the balance as per Pass Book and balance as per Cash Book is to be ascertained by you. Out of the following transactions, write 'A' against those amounts which will be added to the balance of Pass Book and 'R' against those by which balance of Pass Book will be reduced.**
- Bank charges.
 - Cheques issued but not encashed.
 - Cheques deposited with bank and dishonoured
- II. Multiple Choice Questions**
- Which of the following is a correct statement related to 'bank reconciliation statement'?
 - It is prepared after every month.
 - It is prepared after every six month.
 - It is prepared at the end of the year.
 - It is prepared periodically.
 - If balance as per Cash Book is ₹ 8000. Cheque of ₹ 5000 and cheque of ₹ 18000 were issued, but were not presented for payment what will be the balance as per pass book after reconciliation?
 - ₹ 8000
 - ₹ 13000
 - ₹ 23000
 - ₹ 31000
 - While preparing bank reconciliation statement from the pass book balance which of the following items will be subtracted?
 - Cheques deposited but not credited.
 - Cheque issued but not presented for payment.
 - Bank Charges
 - Insurance Premium paid by the bank.

Bank Reconciliation Statement

- iv. Which of the following statements related to bank reconciliation statement is correct?
- It is prepared to ascertain profit of the business concern.
 - It is prepared to calculate the balance as per cash book at the end of the month.
 - It is prepared to reconcile the balance as per cash book and as per pass book.
 - It is prepared to ascertain the financial position of the business.
- v. The pass book shows a debit balance of ₹ 4,500 and a customer has directly deposited ₹ 2,000 in the bank account which is not recorded in cash book. What will be the balance as per cash book?
- ₹ 6,500
 - ₹ 2,500 (for favourable)
 - ₹ 6,500 (over draft)
 - ₹ 2,500 (overdraft)



WHAT YOU HAVE LEARNT

- Bank Reconciliation Statement is a statement prepared, periodically with the purpose to enlist the reasons of difference between the balances as per the bank column of the cash book and pass book on any given date.
- A Bank Reconciliation Statement is a statement reconciling the balance as shown by the bank passbook and the balance as shown by the Bank column of the Cash book. The objective of preparing such a statement is to know the causes of difference between the two balances and to reconcile them.
- The reasons for difference in balance of the cash book and pass book are as under:
 - Cheques issued by the Trader but not yet presented for payment
 - Cheques deposited into Bank but not yet collected or credited by the Bank
 - Amount directly deposited by customers in the Bank account
 - Bank Charges charged by the Bank
 - Interest and dividend received by the Bank
 - Direct payments made by the Bank on behalf of the customers
 - Dishonour of Cheques/Bill discounted
 - Errors committed in recording transactions by the firm
 - Errors committed in recording transactions by the Bank



TERMINAL EXERCISE

- What is meant by a Bank Reconciliation Statement?
- What is the need of preparing Bank Reconciliation Statement?

MODULE - II

Journal and Other Subsidiary Books



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3. Enumerate the causes of difference in the balances of cash book and pass book.
4. From the following particulars, prepare Bank Reconciliation Statement as on December 31, 2012.
 - (i) Balance as per Cash Book ₹ 4,200
 - (ii) Cheques issued but not presented for payment ₹ 2,000
 - (iii) Cheques deposited but not collected ₹ 3,000
 - (iv) Bank Charges debited by the Bank ₹ 250
5. Prepare Bank Reconciliation statement as on March 31, 2012. On this date the passbook of M/s Birla Industries showed a balance of ₹ 27,500
 - (a) Cheques of ₹ 14,000 directly deposited by a customer.
 - (b) Cheques for ₹ 13,500 were issued during the month of March but of these cheques for ₹ 1,500 were not presented by the end of March.
 - (c) The Bank collected ₹ 2,500 as dividend on shares.
 - (d) Cheques of ₹ 17,500 were paid into bank but of ₹ 8,500 were realised in the month of April, 2012.
6. From the following particulars, ascertain the balance as would appear in the Pass Book of Adani Industrial works on 31st January, 2012.
 - (a) Balance as per Cash Book on 31st January 2012 was ₹ 4,000
 - (b) Cheques issued but not cashed prior to 31st January, 2010 amounted to ₹ 1,000
 - (c) Cheques paid into Bank but not collected before 31st January amounted to ₹ 800.
 - (d) There was a debit of ₹ 400 for Bank charges in the Pass Book.
7. From the following particulars prepare Bank Reconciliation statement as on 31st March, 2012 :
 - i. Overdraft as per Cash Book ₹ 12,500
 - ii. Cheques of ₹ 18,000 were issued but were not presented for payment.
 - iii. Cheques of ₹ 24,000 were paid into bank but were not credited till 31 March 2012.
 - iv. Bank charges ₹ 1,500.
8. The bank column of a Cash Book showed a debit balance of ₹ 1,49,000 on June 30, 2012. Entries in the Cash Book and the Pass Book were compared and the following differences were noticed:
 - i. Cheques of Shyam ₹ 9,000 and of Mohani ₹ 15,000 were deposited but were not collected upto June 30, 2012.
 - ii. Ram, a creditor, deposited a cheque of ₹ 8,000 directly into the bank.
 - iii. Bank allowed an interest of ₹ 1,500.

Bank Reconciliation Statement

- iv. Cheque for ₹ 10,000 issued to Radhey was not presented for payment.
 - v. Bank debited the account by ₹ 8,000, being insurance premium.
 - vi. Bank debited the account by ₹ 700, being bank charges.
- You are required to prepare a Bank Reconciliation Statement as on June 30, 2012.

9. From the following particulars ascertain the balance that would appear in the Bank Pass Book of Arun on 31st March, 2012.
- i. The bank overdraft as per Cash Book on 31st March, 2012 ₹ 60,200
 - ii. Interest on overdraft for 6 months ending 31st March, 2012, ₹ 10,000 entered in the Pass Book.
 - iii. Bank charges of ₹ 1,300 for the above period are debited in the Pass Book.
 - iv. Cheques issued but not cashed prior to 31st March, 2012, amounted to ₹ 10,620.
 - v. Cheques paid into the bank but not cleared before 31st March, 2012, were for ₹ 16,500.
 - vi. Interest on investment collected by the bank and credited in the Pass Book, ₹ 11,000
10. From the following particulars, prepare a bank reconciliation statement as on 31-3-2012:
- i. Balance as per pass book on 31st March, 2012 overdrawn ₹ 10,266.
 - ii. Cheques drawn on 31st March, 2012 but not cleared till 2nd April, 2012, ₹ 120; ₹ 10,211; ₹ 981 and ₹ 1,128.
 - iii. Interest on bank overdraft not entered in the cash book ₹ 1,510.
 - iv. Out-station cheques for ₹ 21,000 lodged in the bank on 30th March, 2012 but credited in April, 2012.
 - v. ₹ 100 being chamber of commerce subscription paid by the bank under a standing order on 31st March, 2012 was not entered in the cash book.
 - vi. A hundi of ₹ 2,500 due on 31st March, 2012 was sent to the bank for collection on 29th March, 2012 and entered in the cash book forthwith, but the proceeds thereof were not credited in the pas book till 2nd April, 2012.
11. Prepare a bank reconciliation statement from the following particulars:
On 31st December, 2016 I had overdraft of ₹ 750 as shown by my pass book. I had issued cheques amounting to ₹ 250 of which ₹ 200 worth only seem to have been presented for payment. Cheques amounting to ₹ 100 had been paid in by me on 30th December, but of these only ₹ 75 were credited in the pass book. I also find that a

MODULE - II

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cheque for ₹ 10 which I had debited to bank account in my books has been omitted to be banked. There is a debit in my pass book of ₹ 25 for interest. An entry of ₹ 30 of a payment by a customer direct into the bank appears in the pass book. My pass book also shows a credit of ₹ 60 to my account for interest on investments directly collected by my bankers.

12. The pass book of Rita & Sons showed a balance of ₹ 8,500 on 31st May, 2012. Cheques amounting to ₹ 2,750 were deposited into the bank on 27th May but Cheque worth ₹ 510 were credited on 2nd June and one cheque of ₹ 150 was returned by them as dishonoured on 5th June. Cheques drawn but not presented for payment amounted to ₹ 6,000. A B/P paid by the bank but not entered in the cash book ₹ 1,500. Credit side of bank column of cash book was cast ₹ 100 short. Preeti Bros. the firm's agent were requested to remit ₹ 4,000 through telegraphic transfer but they have remitted only ₹ 2,500 for which there was no entry in the cash book. Find out the balance as per cash book and ascertain the correct balance of cash book as on 31-5-2012.
13. On 30th June, 2012 the cash book of a merchant disclosed a balance of ₹ 5,820. On checking entries in the cash book with the bank statement, it was ascertained that :
 - i. Cheque for ₹ 2,200 deposited into bank, had not yet been cleared.
 - ii. Cheques issued but not presented for payment ₹ 1,600.
 - iii. A dividend of ₹ 380 by collected to the bank had not been recorded in the cash book.
 - iv. Bank charges ₹ 40 have not been recorded in the cash book.
 - v. A B/R of ₹ 2,500 discounted with the bank is entered in the cash book without recording the discount charge of ₹ 100

You are required to prepare a bank reconciliation statement.
14. From the following particulars, prepare a bank reconciliation statement as on 31st March, 2012 and show necessary adjustments in cash book to find out correct balance:
 - i. Bank balance as per pass book (overdraft) ₹ 3,000.
 - ii. A cheque of ₹ 2,000 was credited in the pass book on 28-3-2012, later dishonoured and was debited in the pass book on 1-4-2012. There was no entry of this dishonoured cheque in the cash book within the date.
 - iii. The bank collected ₹ 1,000 by way of interest and credited the amount but the same was not recorded in the cash book within 31st March, 2012.
 - iv. A cheque of ₹ 25,000 was lodged in the bank on 31st March, 2012 but the same was credited in the pass book only on 7th April, 2012.

Bank Reconciliation Statement

- v. Of the cheques drawn on 28th March, 2012 for ₹ 8,000, a cheque of ₹ 2,000 was presented for payment on 7th April, 2012.
- vi. On scrutiny it was further found that the banker has given a wrong credit for ₹ 500 and a wrong debit for ₹ 200 in the pass book which have not been recorded in the cash book within 31st March, 2012.



ANSWER TO INTEXT QUESTIONS

- 8.1 I. i) b ii) c iii) a
 II. i) pass book ii) Debit side iii) reconcile
 III. i) F ii) T iii) F iv) T.
- 8.2 I. i) A ii) R iii) A
 II. i) d ii) d iii) b iv) c v) c



ANSWER TO TERMINAL EXERCISE

4. Balance as per Pass Book ₹ 2,950.
5. Balance as per Cash Book ₹ 18,000.
6. Balance as per Pass Book ₹ 4,600.
7. Overdrafts per Pass Book ₹ 20,000.
8. Balance as per Pass Book ₹ 1,35,800.
9. Overdraft as per Pass Book ₹ 66,380.
10. Overdrafts as per Cash Book ₹ 2,404.
11. Overdrafts as per Cash Book ₹ 830.
12. Balance as per Cash Book ₹ 2,260.
13. Balance as per Pass Book ₹ 5,460.
14. Balance as per Cash Book ₹ 19,300.

ACTIVITY FOR YOU

- Visit any nearby business establishment. Compare its Cash Book (bank column) with the Pass Book. Find out the entries which have been made in the Cash Book but not in the Pass Book and also the entries which have been made in the pass book but not in the Cash Book. Make a list of these entries along with the amount involved.

MODULE - II

Journal and Other Subsidiary Books



Notes