☞ BANK RECONCILIATION STATEMENT

When any transaction takes place between customer and bank it is recorded in the books of both the parties.

e.g.   Mr.A deposits ₹1,000/- in bank to open current A/c.

In the books of A		**In the books of bank**	
Bank A/c	Dr 1000	Cash A/c	Dr 1000
To Cash A/c	1000	To A's A/c	1000

In the ledger of A		**In the ledger of Bank**	
Bank A/c		A's A/c	
To Cash A/c 1000			By Cash A/c 1000
Balance : Cash 1000 Dr.		Balance : A's A/c 1000 Cr.	

Thus, balance shown in bank A/c in the books of A is same as balance shown in A's A/c in the books of bank. (Copy of which known as pass book is given to us). Only difference is that in the books of A, bank A/c shows a debit balance whereas in the books of bank, A's A/c shows a credit balance. This is because A and bank are opposite parties to the same transaction.

Thus, balance shown by the bank column of cash book should be equal to balance shown by pass book on a particular day. However, in actual practice most of the times, these balances do not agree due to various reasons and it becomes necessary to reconcile the difference.

A statement prepared to reconcile the difference between bank balance shown by cash book and balance shown by pass book on a particular day is known as **Bank Reconciliation Statement**.

It should be noted that bank reconciliation statement is not prepared to rectify any errors but it is prepared just to reconcile the difference. Errors committed if any, are to be found out at the time of preparation of bank reconciliation statement and they are to be rectified later.

Causes of disagreement between cash book and pass book balance :-
1) Cheques issued but not presented.
2) Cheques deposited but not cleared.
3) Interest, bank charges, direct payment by bank under our cash instructions etc recorded in pass book but not recorded in cash book.
4) Direct collection by bank under our instructions etc recorded in pass book but not recorded in cash book.
5) Other reasons :-
   a] mistakes in cash book
   b] mistakes in pass book
   c] mistakes in both

PROBLEMS

1. From the following prepare bank reconciliation statement as on 30th November 2019: -
   1. Debit balance as per cash book ₹12,300.
   2. Cheques issued but not presented ₹1,500.
   3. Cheques deposited but not cleared ₹700.
   4. Interest credited by bank but not recorded in cash book ₹60.
   5. Bank charges debited by bank but not recorded in cash book ₹20.

2. On 30th Nov. 2019 Balance as per cash book was ₹35,800 (Debit) which differed from pass book balance on the same day. On scrutiny following was found :-
   1. Direct deposit by a customer not recorded in cash book ₹ 6,000.
   2. Fire Insurance premium paid by bank on our behalf not recorded in cash book ₹1,000.
   3. Receipts side of cash book is excess totaled by ₹500.
   4. Payment side of cash book is excess totaled by ₹200.
   5. One cheque of ₹300 which was issued & presented during November was recorded twice in cash book.
   Prepare Bank Reconciliation statement.

3. On 31st October 2019 cash book of Mr. Student showed bank balance of ₹10,100 which was different from pass book balance. On scrutiny following was found :-
   1. Cheques of ₹5,000 were issued during October out of which cheques of ₹2,000 were not presented for payment upto 31st October.
   2. Cheques of ₹3,000 were deposited during October, of which cheques of ₹1,000 were cleared before 31st October.
   3. Receipts side of cash book is totaled short by ₹50.
   4. Payment side of cash book was totaled short by ₹100.
   5. Bank charges debited by bank ₹25 were wrongly entered in cash book as ₹52.
   Prepare Bank Reconciliation Statement.

4. Pass Book of Mr. Red showed a credit balance of ₹2,325 as on 30th Nov. 2019 which was different from cash book balance. On scrutiny following was found :-
   1. Bank charges debited by bank ₹52 were wrongly entered on receipt side of cash book as ₹5.
   2. Credit side of pass book stands excess totaled by ₹22.
   3. Credit side of cash book is overcast by ₹123.
   4. Under our instructions bank paid ₹559 to one of our suppliers. This transaction was not recorded in the cash book.
   5. One cheque of ₹563 which was issued & presented was entered twice in cash book.
   6. Bank has credited our account by ₹200 for a cheque which was not deposited by us.
   Prepare bank reconciliation statement as on 30th Nov. 2019.

5. On 31st Dec. 2018 Pass Book of Mr. Kaka showed a credit balance of ₹10,500 which was different from cash book balance on the same date. From the following transactions you are required to prepare bank reconciliation statement as on 31st Dec. 2018.
   1. Two cheques of ₹3,700 & ₹2,018 were issued on 26th Dec. Out of these cheques cheque of ₹2,018 was presented on 3rd Jan 2019 & cheque of ₹3,700 was presented on 29th Dec.2018.
   2. Cheques of ₹2,200 were deposited in bank on 29th Dec. Out of these, cheques of ₹2,000 were cleared before 31st Dec.
   3. Bank Charges debited by bank ₹75 were wrongly recorded in cash book as ₹57.
   4. Receipt side of cash book stands excess totaled by ₹500.
   5. Under instructions bank paid insurance premium of ₹300 which is not recorded in the cash book.
   6. One cheque of ₹500 which was deposited and cleared during Dec 2018 was entered twice in cash book.
   7. Direct deposit by customer in bank account not recorded in cash book ₹10,000.

6. Nitu Enterprises had a current a/c with Indian Bank. Their cash book showed credit balance of ₹35,200 on 30th June 2019. Taking into account following prepare a bank reconciliation statement :-
   1. Cheques issued to creditors amounting to ₹7,000 not presented for payment.
   2. Cheque received for ₹9,000 was sent to bank for collection 29th June. It was collected on 2nd July 2019.
   3. Dividend collected by bank on our behalf ₹700. Intimation of the same was received on 3rd July 2019.
   4. Bank had paid telephone bill of ₹600 on behalf of the company for which there was no entry in the cash book.
   5. Interest on bank overdraft debited in pass book ₹200 was not recorded in cash book.

7. Prepare bank reconciliation statement on 30th June 2019 Cash book of Mr. Raj showed credit balance of ₹11,900. On going through cash book & pass book you find the following :-
   1. On 26th June bank column on payment side of cash book was overcast by ₹800.
   2. Out of cheques drawn on 24th June amounting to ₹24,000 those for ₹4,000 were debited by bank on 2nd July 2018.
   3. Cash deposited in bank on 28th June ₹1,190 was wrongly credited by bank to another a/c. While rectifying this error on 29th June bank made another mistake by crediting ₹1910 to the a/c instead of ₹1,190.
   4. As per the standing instructions bank paid ₹1,000 towards insurance premium, ₹830 towards rent & ₹1,730 towards taxes on 24th June. Debit advices in respect of these payments were recorded only on 2nd July.
   5. There was debit of ₹2,000 in pass book in respect of a cheque issued in the previous month.

8. The pass book of Mr. Bedi showed a debit balance of ₹60,000 while his cash book showed different balance. Prepare bank reconciliation statement as on 31st Oct 2019 explaining the causes of differences :
   1. Cheques deposited ₹3,000 have not been recorded in the cash book. They were credited in the pass book on 29th Oct 2019.
   2. Cheques amounting to ₹9,000 have been lodged with the bank. Of these, a cheque amounting to ₹2,000 was lost in transit. Remaining cheques were cleared before 31st October.
   3. Interest allowed by bank ₹200 has been recorded as interest charged in the cash book.
   4. A direct deposit of ₹4,000 made by Kabir a customer has been entered in the cash book too but on the wrong side.
   5. A cheque of ₹1,200 issued by Bedi has been entered in cash column of the cash book. The bank however, passed the entry for ₹120.
   6. The bank column of the receipt side of cash book is overcast by ₹300.

9. Uncle has a current account with Central bank of India. From the following particulars prepare Bank Reconciliation statement as on 30th June 2019.
   1. Cheques of ₹700 issued but were not presented for payment till 5th July 2019.
   2. Cheques of ₹3,000 received from customers were deposited into bank but out of these, cheques of ₹1,500 only were collected upto 30th June 2019.
   3. Bank had paid insurance premium ₹650. There was no entry in the cash book in this respect.
   4. Bank charges & commission debited in pass book were not entered in cash book ₹60.
   5. Interest on bank deposit ₹40 was credited in pass book but not recorded in cash book.
   6. Transfer of ₹2,000 from fixed deposit to current account was not recorded in cash book.
   7. Debit balance as per pass book as on 30th June 2019 was ₹2,500

10. From the following details prepare bank reconciliation statement as on 30th November 2019. Debit balance as per cash book ₹2,000.
    1. Cheques issued but not presented ₹3,000.
    2. Cheques deposited but not cleared ₹9,000.

11. From the following prepare bank reconciliation statement for Vivek as on 30th Nov.2019. On this date cash book showed a credit balance of ₹10.
    1. During the month cheques of ₹2,50,000 were issued but out of these cheques of ₹20,000 were presented by the month end.
    2. Bearer cheque issued & not presented was entered in cash column of cash book ₹100.
    3. Bearer cheque received & encashed during the month was recorded in the bank column of the cash book ₹750.
    4. Bank charges debited by bank ₹150 were written on debit side of cash book as ₹510.
    5. Cheque issued & presented during the month ₹200 was recorded twice on debit side of cash book.

6. One cheque of ₹500 was issued by Vivek. On the same day one cheque of ₹500 was deposited by Ritesh, another customer of the bank. Both the cheques were collected on 29th. However, while recording, Bank recorded Vivek's transaction in Ritesh's pass book & vice versa.

7. There was a debit of ₹2,000 in the pass book in respect of cheque issued in the previous month.

8. Payment side of cash book was overcast by ₹5,350.

9. Cheque of ₹1,000 issued to Mr. Mohan in full settlement of ₹1,100 was not presented. In cash book entire amount was recorded in bank column on debit side.

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