Bank Reconciliation Statement

5

Learning Objectives

After studying this chapter, you will be able to :

- *state the meaning and need for the preparation of bank reconciliation statement;*
- *identify causes of difference between bank balance as per cash book and pass book;*
- *prepare the bank reconciliation statement;*
- *ascertain the correct bank balance as per cash book;*

In chapter 4, you have learnt that the business organisations keep a record of their cash and bank transactions in a cash book. The cash book also serves the purpose of both the cash account and the bank account and shows the balance of both at the end of the period.

Once the cash book has been balanced, it is usual to check its details with the records of the firm's bank transactions as recorded by the bank. To enable this check, the cashier needs to ensure that the cash book is completely up to date and a recent bank statement (or a bank passbook) has been obtained from the bank. A bank statement or a bank passbook is a copy of a bank account as shown by the bank records. This enable the bank customers to check their funds in the bank regularly and update their own records of transactions that have occurred. An illustrative bank passbook of a current account is shown in figure 5.1.

The amount of balance shown in the passbook or the bank statement must tally with the balance as shown in the cash book. But in practice, these are usually found to be different. Hence, we have to ascertain the causes for such difference. It will be observed that a bank statement/passbook shows all deposits in the credit column and withdrawals in the debit column. Thus, if deposits exceed withdrawals it shows a credit balance and if withdrawals exceed deposits it will show a debit balance (overdraft).

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5.1 Need for Reconciliation

It is generally experienced that when a comparison is made between the bank balance as shown in the firm's cash book, the two balances do not tally. Hence, we have to first ascertain the causes of difference thereof and then reflect them in a statement called *Bank Reconciliation Statement* to reconcile (tally) the two balances.

In order to prepare a bank reconciliation statement we need to have a bank balance as per the cash book and a bank statement as on a particular day along with details of both the books. If the two balances differ, the entries in both the books are compared and the items on account of which the difference has arisen are ascertained with the respective amounts involved so that the bank reconciliation statement may be prepared. Its format shown in figure 5.5.

	Particulars	*Amount Rs.*
	Balance as per cash book	.....
Add:	Cheques issued but not presented	.....
	Interest credited by the bank	.....
		.....
Less:	Cheques deposited but not credited by the bank	.....
	Bank charges not recorded in the cash book	.....
	Balance as per the passbook	xxxx

Fig. 5.2 : *Proforma of bank reconciliation statement*

It can also be prepared with two amount columns one showing additions (+ column) and another showing deductions (-column). For convenience, we usually adopt this treatment.

	Particulars	*Amount Rs. (+)*	*Amount Rs. (–)*
	Balance as per cash book	.....	
	Cheques issued but not presented `	.....	
	Interest credited by the bank	.....	
	Cheque deposited but not credited by the bank		.....
	Bank charges not recorded in the cash book		.....
	Balance as per the passbook.		xxxx

Fig. 5.3 : *Proforma of bank reconcitiation statement (table form)*

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DHERENDRA NATIONAL BANK
CONNAUGHT PLACE

MULTI-MODULE PACKAGE
STATEMENT OF ACCOUNT
FROM 01/08/2014 TO 30/09/2014

DATE : 30/09/2014
OPID : GK
PAGE NO. : 1

ACCOUNT NO. 03355
NAME : DEV PANDIT
KHADWAI, RUNAKUTA, DELHI-34

DATE	*PARTICULARS*	*CHEQUE No.*	*DEBIT Rs. P.*	*CREDIT Rs. P.*	*BALANCE Rs. P.*	*+REMARKS*
				Opening Balance :	50,782.30	+
04/08/2014	DELHI PLA	356376	35,000.00		15,782.30	+
07/08/2014	TO SELF	356377	10,000.00		5,782.30	+
13/08/2014	BY CLG			10,673.00	16,455.30	+
13/08/2014	BY CLG			9,143.00	25,598.30	+
17/08/2014	TO SELF	356378	20,000.00		5,598.30	+
21/08/2014	BY CLG			25,808.00	31,406.30	+
26/08/2014	BY CLG			32,949.00	64,355.30	+
02/09/2014	To SELF	356381	30,000.00		34,355.30	+
04/09/2014	DELHI PLASTIC	356382	10,000.00		24,355.30	+
08/09/2014	ICICI	657755	6,074.00		18,281.30	+
09/09/2014	BY CLG			3,146.00	21,427.30	+
13/09/2014	TO SELF	356380	9,500.00		11,927.30	+
15/09/2014	BY CLG			5,320.00	17,247.30	+
15/09/2014	BY CLG			18,564.00	35,811.30	+
16/09/2014	TO SERVICE CHARGES		120.00		35,691.30	+
21/09/2014	TO SELF	356383	20,000.00		15,691.30	+
25/09/2014	TO SELF	356385	10,000.00		5,691.30	+
27/09/2014	BY CLG			16,198.00	21,889.30	+

FOR DHERENDRA NATIONAL BANK
ACCOUNTANT/MANAGER

Fig. 5.1 : *Specimen of bank statement (current account)*

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Reconciliation of the cash book and the bank passbook balances amounts to an explanation of differences between them. The differences between the cash book and the bank passbook is caused by:

- *timing differences on* recording of the transactions.
- *errors* made by the business or by the bank.

5.1.1 Timing Differences

When a business compares the balance of its cash book with the balance shown by the bank passbook, there is often a difference, which is caused by the time gap in recording the transactions relating either to payments or receipts. The factors affecting time gap includes :

5.1.1(a) Cheques issued by the bank but not yet presented for payment

When cheques are issued by the firm to suppliers or creditors of the firm, these are immediately entered on the credit side of the cash book. However, the receiving party may not present the cheque to the bank for payment immediately. The bank will debit the firm's account only when these cheques are actually paid by the bank. Hence, there is a time lag between the issue of a cheque and its presentation to the bank which may cause the difference between the two balances.

5.1.1(b) Cheques paid into the bank but not yet collected

When firm receives cheques from its customers (debtors), they are immediately recorded in the debit side of the cash book. This increases the bank balance as per the cash book. However, the bank credits the customer account only when the amount of cheques are actually realised. The clearing of cheques generally takes few days especially in case of outstation cheques or when the cheques are paid-in at a bank branch other than the one at which the account of the firm is maintained. This leads to a cause of difference between the bank balance shown by the cash book and the balance shown by the bank passbook.

5.1.1(c) Direct debits made by the bank on behalf of the customer

Sometimes, the bank deducts amount for various services from the account without the firm's knowledge. The firm comes to know about it only when the bank statement arrives. Examples of such deductions include: cheque collection charges, incidental charges, interest on overdraft, unpaid cheques deducted by the bank – i.e. stopped or bounced, etc. As a result, the balance as per passbook will be less than the balance as per cash book.

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5.1.1(d) Amounts directly deposited in the bank account

There are instances when debtors(customers) directly deposits money into firm's bank account. But, the firm does not receive the intimation from any source till it receives the bank statement. In this case, the bank records the receipts in the firm's account at the bank but the same is not recorded in the firm's cash book. As a result, the balance shown in the bank passbook will be more than the balance shown in the firm's cash book.

5.1.1(e) Interest and dividends collected by the bank

When the bank collects interest and dividend on behalf of the customer, then these are immediately credited to the customers account. But the firm will know about these transactions and record the same in the cash book only when it receives a bank statement. Till then the balances as per the cash book and passbook will differ.

5.1.1(f) Direct payments made by the bank on behalf of the customers

Sometimes the customers give standing instructions to the bank to make some payment regularly on stated days to the third parties. For example, telephone bills, insurance premium, rent, taxes, etc. are directly paid by the bank on behalf of the customer and debited to the account. As a result, the balance as per the bank passbook would be less than the one shown in the cash book.

5.1.1(g) Cheques deposited/bills discounted dishonoured

If a cheque deposited by the firm is dishonoured or a bill of exchange drawn by the business firm is discounted with the bank is dishonoured on the date of maturity, the same is debited to customer's account by the bank. As this information is not available to the firm immediately, there will be no entry in the firm's cash book regarding the above items. This will be known to the firm when it receives a statement from the bank. As a result, the balance as per the passbook would be less than the cash book balance.

5.1.2 Differences Caused by Errors

Sometimes the difference between the two balances may be accounted for by an error on the part of the bank or an error in the cash book of the business. This causes difference between the bank balance shown by the cash book and the balance shown by the bank statement.

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5.1.2(a) Errors committed in recording transaction by the firm

Omission or wrong recording of transactions relating to cheques issued, cheques deposited and wrong totalling, etc. committed by the firm while recording entries in the cash book cause difference between cash book and passbook balance.

5.1.2(b) Errors committed in recording transactions by the bank

Omission or wrong recording of transactions relating to cheques deposited and wrong totalling, etc. committed by the bank while posting entries in the passbook also cause differences between passbook and cash book balance.

Test Your Understanding - I

I. Read the following transactions and identify the cause of difference on the basis of time gap or errors made by business firm/bank. Put a sign (✓) for the correct cause.

S.No.	*Transactions*	*Time Gap*	*Errors made by business/ bank*
1.	Cheques issued to customers but not presented for payment.		
2.	Cheque amounting to Rs. 5,000 issued to M/s. XYZ but recorded as Rs. 500 in the cash book.		
3.	Interest credited by the bank but yet not recorded in the cash book.		
4.	Cheque deposited into the bank but not yet collected by the bank.		
5.	Bank charges debited to firm's current account by the bank.		

II. Fill in the blanks :

(i) Passbook is a copy of.....as it appears in the ledger of the bank.

(ii) When money is with drawn from the bank, the bank ..... the account of the customer.

(iii) Normally, the cash book shows a debit balance, passbook shows .....balance.

(iv) Favourable balance as per the cash book means .....balance in the bank column of the cash book.

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(v) If the cash book balance is taken as starting point the items which make the cash book balance smaller than the passbook must be .....for the purpose of reconciliation.

(vi) If the passbook shows a favourable balance and if it is taken as the starting point for the purpose of bank reconciliation statement then cheques issued but not presented for payment should be .....to find out cash balance.

(vii) When the cheques are not presented for payment, favourable balance as per the cash book is .....than that of the passbook.

(viii) When a banker collects the bills and credits the account passbook overdraft shows .....balance.

(ix) If the overdraft as per the passbook is taken as the starting point, the cheques issued but not presented are to be .....in the bank reconciliation statement.

(x) When the passbook balance is taken as the starting point items which makes the passbook balance .....than the balance in the cash book must be deducted for the purpose of reconciliation.

5.2 Preparation of Bank Reconciliation Statement

After identifying the causes of difference, the reconciliation may be done in the following two ways:

(a) Preparation of bank reconciliation statement without adjusting cash book balance.

(b) Preparation of bank reconciliation statement after adjusting cash book balance.

It may be noted that in practice, the bank reconciliation statement is prepared after adjusting the cash book balance, about which you will study later in the chapter.

5.2.1 Preparation of Bank Reconciliation Statement without adjusting Cash Book Balance

To prepare bank reconciliation statement, under this approach, the balance as per cash book or as per passbook is the starting item. The debit balance as per the cash book means the balance of deposits held at the bank. Such a balance will be a credit balance as per the passbook. Such a balance exists when the deposits made by the firm are more than its withdrawals. It indicates the *favourable balance as per cash book or favourable balance as per the passbook*. On the other hand, the credit balance as per the cash book indicates *bank overdraft*. In other words, the excess amount withdrawn over the amount deposited in the bank. It is also known as *unfavourable balance as per cash book or unfavourable balance as per passbook.*

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We may have four different situations while preparing the bank reconciliation statement. These are :

1. When debit balance (favourable balance) as per cash book is given and the balance as per passbook is to be ascertained.
2. When credit balance (favourable balance) as per passbook is given and the balance as per cash book is to be ascertained.
3. When credit balance as per cash book (unfavourable balance/overdraft balance) is given and the balance as per passbook is to ascertained.
4. When debit balance as per passbook (unfavourable balance/overdraft balance) is given and the cash book balance as per is to ascertained.

5.2.1(a) Dealing with favourable balances

The following steps may be initiated to prepare the bank reconciliation statement:

(i) The date on which the statement is prepared is written at the top, as part of the heading.

(ii) The first item in the statement is generally the balance as shown by the cash book. Alternatively, the starting point can also be the balance as per passbook.

(iii) The cheques deposited but not yet collected are deducted.

(iv) All the cheques issued but not yet presented for payment, amounts directly deposited in the bank account are added.

(v) All the items of charges such as interest on overdraft, payment by bank on standing instructions and debited by the bank in the passbook but not entered in cash book, bills and cheques dishonoured etc. are deducted.

(vi) All the credits given by the bank such as interest on dividends collected, etc. and direct deposits in the bank are added.

(vii) Adjustment for errors are made according to the principles of rectification of errors. (The rectification of errors has been discussed in detail in chapter 6.)

(viii) Now the net balance shown by the statement should be same as shown by the passbook.

It may be noted that treatment of all items shall be the reverse of the above if we adjust passbook balance as the starting point.(see illustration 3)

The following solved illustrations will help you understand dealing with favourable balance as per cash book and passbook.

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Illustration 1

From the following particulars of Mr. Vinod, prepare bank reconciliation statement as on March 31, 2014.

1. Bank balance as per cash book Rs. 50,000.
2. Cheques issued but not presented for payment Rs. 6,000.
3. The bank had directly collected dividend of Rs. 8,000 and credited to bank account but was not entered in the cash book.
4. Bank charges of Rs. 400 were not entered in the cash book.
5. A cheques for Rs. 6,000 was deposited but not collected by the bank.

Solution

Bank Reconciliation Statement of Mr. Vinod as on March 31, 2014

	Particulars	*+ Rs.*	*– Rs.*
1.	Balance as per cash book	50,000	
2.	Cheques issued but not presented for payment	6,000	
3.	Dividends collected by the bank	8,000	
4.	Cheque deposited but not credited by the bank		6,000
5.	Bank charges debited by the bank		400
6.	Balance as per passbook.		57,600
		64,000	64,000

Illustration 2

From the following particulars of Anil & Co. prepare a bank reconciliation statement as on August 31, 2014.

1. Balance as per the cash book Rs. 54,000.
2. Rs. 100 bank incidental charges debited to Anil & Co. account, which is not recorded in cash book.
3. Cheques for Rs. 5,400 is deposited in the bank but not yet collected by the bank.
4. A cheque for Rs. 20,000 is issued by Anil & Co. not presented for payment.

Solution

Bank Reconciliation Statement of Anil & Co. as on August 31, 2014

	Particulars	*(+) Amount Rs.*	*(–) Amount Rs.*
1.	Balance as per cash book	54,000	-
2.	Cheqeus issued but not presented for payment	20,000	-
3.	Cheques deposited but not credited by the bank	-	5,400
4.	Bank incidental charges debited by the bank	-	100
5.	Balance as per passbook	-	68,500
		74,000	74,000

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Illustration 3

The bank passbook of M/s. Boss & Co. showed a balance of Rs. 45,000 on May 31, 2014.

1. Cheques issued before May 31, 2014, amounting to Rs. 25,940 had not been presented for encashment.
2. Two cheques of Rs. 3,900 and Rs. 2,350 were deposited into the bank on May 31 but the bank gave credit for the same in June, 2014.
3. There was also a debit in the passbook of Rs. 2,500 in respect of a cheque dishonoured on 31.5.2014. Prepare a bank reconciliation statement as on May 31, 2014.

Solution

Bank Reconciliation Statement of Bose & Co as on May 31, 2014

	Particulars	*(+) Amount Rs.*	*(–) Amount Rs.*
1.	Balance as per passbook	45,000	
2.	Cheques deposited but not collected by the bank (Rs. 3,900+ Rs. 2,350)	6,250	
3.	Cheque dishonoured recorded only in passbook	2,500	
4.	Cheques issued but not presented for payment		25,940
5.	Balance as per cash book		27,810
		53,750	53,750

5.2.1(b) Dealing with overdrafts

So far we have dealt with bank reconciliation statement where bank balances has been positive – i.e., there has been money in the bank account. However, businesses sometimes have overdrafts at the bank. Overdrafts are where the bank account becomes negative and the businesses in effect have borrowed from the bank. This is shown in the cash book as a credit balance. In the bank statement, where the balance is followed by Dr. (or sometimes OD) means that there is an overdraft and called debit balance as per passbook.

An overdraft is treated as negative figure on a bank reconciliation statement. The following solved illustration will help you understand the preparation of bank reconciliation statement when there is an overdraft.

Illustration 4

On March 31, 2014, Rakesh had on overdraft of Rs. 8,000 as shown by his cash book. Cheques amounting to Rs. 2,000 had been paid in by him but were not collected by the bank. He issued cheques of Rs. 800 which were not presented to the bank for payment. There was a debit in his passbook of Rs. 60 for interest and Rs. 100 for bank charges. Prepare bank reconciliation statement.

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Solution

Bank Reconciliation Statement of Rakesh as on April 01, 2014

	Particulars	*(+) Amount Rs.*	*(–) Amount Rs.*
1.	Overdraft as per cash book		8,000
2.	Cheques deposited but not yet collectedcharged by the bank		2,000
3.	Bank charges		60
4.	Cheques issued but not presented for payment	800	100
5.	Balance as per bank passbook (overdraft)	9,360	
		10,160	10,160

Illustration 5

On March 31, 2014 the bank column of the cash book of Agrawal Traders showed a credit balance of Rs. 1,18,100 (Overdraft). On examining of the cash book and the bank statement, it was found that :

1. Cheques received and recorded in the cash book but not sent to the bank of collection Rs. 12,400.
2. Payment received from a customer directly by the bank Rs. 27,300 but no entry was made in the cash book.
3. Cheques issued for Rs. 1,75,200 not presented for payment.
   Interest of Rs. 8,800 charged by the bank was not entered in the cash book. Prepare bank reconciliation statement.

Solution

Bank Reconciliation Statement of Agarwal Traders as on March 31, 2014

	Particulars	*(+) Amount Rs.*	*(–) Amount Rs.*
1.	Overdraft as per cash book		1,18,100
2.	Cheques received and recorded in the cash book but not sent to the bank for collection		12,400
3.	Interest on bank overdraft debited by the bank but not entered in the cash book		8,800
4.	Payment received from the customer directly	27,300	
5.	Credited in the bank a/c but not entered in the cash book	1,75,200	
6.	Cheques issued but not presented for payment		
7.	Balance as per the passbook (favourable balance)		63,200
		2,02,500	2,02,500

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Illustration 6

From the following particulars of Asha & Co. prepare a bank reconciliation statement on December 31, 2014.

	Rs.
Overdraft as per passbook	20,000
Interest on overdraft	2,000
Insurance Premium paid by the bank	200
Cheque issued but not presented for payment	6,500
Cheque deposited but not yet cleared	6,000
Wrongly debited by the bank	500

Solution

Bank Reconciliation Statement of Asha & Co as on December 31, 2014

	Particulars	*(+) Amount Rs.*	*(–) Amount Rs.*
1.	Overdraft as per passbook		20,000
2.	Interest on overdraft	2,000	
3.	Insurance premium paid by the bank	200	
4.	Cheque issued but not presented for payment		6,500
5.	Cheques deposited but not yet cleared	6,000	
6.	Wrongly debited by the bank	500	
7.	Balance as per the cash book (overdraft)	17,800	
		26,500	26,500

Illustration 7

From the following particulars, prepare a bank reconciliation statement as on March 31, 2014.

(a) Debit balance as per cash book is Rs. 10,000.

(b) A cheque for Rs. 1,000 deposited but not recorded in the cash book.

(c) A cash deposit of Rs. 200 was recorded in the cash book as if there is not bank, column therein.

(d) A cheque issued for Rs. 250 was recorded as Rs. 205 in the cash column.

(e) The debit balance of Rs. 1,500 as on the previous day was brought forward as a credit balance.

(f) The payment side of the cash book was under cast by Rs. 100.

(g) A cash discount allowed of Rs. 112 was recorded as Rs. 121 in the bank column.

(h) A cheque of Rs. 500 received from a debtor was recorded in the cash book but not deposited in the bank for collection.

(i) One outgoing cheque of Rs. 300 was recorded twice in the cash book.

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Solution

Bank Reconciliation statement as on September 30, 2014

	Particulars	*(+) Amount Rs.*	*(–) Amount Rs.*
1.	Debit balance as per cash book	10,000	
2.	Error in carrying forward	3,000	
3.	Cheque recorded twice in cash book	300	
4.	Cheque deposit not record in bank column	200	
5.	Cheque deposit but not recorded	1,000	
6,	Under casting of payment side		100
7.	Cheque issued but not entered		250
8.	A cash discount wrongly recorded in bank column		121
9.	Cheque recorded but not deposited		500
10.	Credit balance as per passbook		13,529
		14,500	14,500

Illustration 8

From the following particulars, prepare the bank reconciliation statement of Shri Krishan as on March 31, 2014.

(a) Balance as per passbook is Rs. 10,000.
(b) Bank collected a cheque of Rs. 500 on behalf of Shri Krishan but wrongly credited it to Shri Krishan's account.
(c) Bank recorded a cash book deposit of Rs. 1,589 as Rs. 1,598.
(d) Withdrawal column of the passbook under cast by Rs. 100.
(e) The credit balance of Rs. 1,500 as on the pass-book was recorded in the debit balance.
(f) The payment of a cheque of Rs. 350 was recorded twice in the passbook.
(g) The pass-book showed a credit balance for a cheque of Rs. 1,000 deposited by Shri Kishan.

Solution

Bank Reconciliation Statement as on March 31, 2014

	Particulars	*(+) Amount Rs.*	*(–) Amount Rs.*
1.	Credit balance as per passbook	10,000	
2.	Cheque wrongly credited to another customer account	500	
3.	Error in carrying forward	3,000	
4.	Cheque recorded twice	350	
5.	Excess credit for cash deposit		9
6.	Under casting of withdrawal column		100
7.	Wrong credit		1,000
8.	Debit balance as per cash book		12,741
		13,850	13,850

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Test Your Understanding - II

Select the Correct Answer:

1. A bank reconciliation statement is prepared by :
   (a) Creditors (b) Bank
   (c) Account holder in a bank (d) Debtors
2. A bank reconciliation statement is prepared with the balance :
   (a) Passbook (b) Cash book
   (c) Both passbook and cash book (d) None of these
3. Passbook is a copy of :
   (a) Copy of customer Account (b) Bank column of cash book
   (c) Cash column of cash book (d) Copy of receipts and payments
4. Unfavourable bank balance means :
   (a) Credit balance in passbook (b) Credit balance in cash book
   (c) Debit balance in cash book (d) None of these
5. Favourable bank balance means :
   (a) Credit balance in the cash book (b) Credit balance in passbook
   (c) Debit balance in the cash book (d) Both b and c
6. A bank reconciliation statement is mainly prepared for :
   (a) Reconcile the cash balance of the cash book.
   (b) Reconcile the difference between the bank balance shown by the cash book and bank passbook
   (c) Both a and b
   (d) None of these

5.2.2 Preparation of Bank Reconciliation Statement with Adjusted Cash Book

When we look at the various items that normally cause the difference between the passbook balance and the cash book balance, we find a number of items, which appear only in the passbook. Why not first record such items in the cash book to work out the adjusted balance (also known as amended balance) of the cash book and then prepare the bank reconciliation statement. This shall reduce the number of items responsible for the difference and have the correct figure of balance at bank in the balance sheet. In fact, this is exactly what is done in practice whereby only those items which cause the difference on account of the time gap in recording appear in bank reconciliation statement. These are as (i) cheques issued but not yet presented, (ii) cheques deposited but not yet collected, and (iii) due to an error in the passbook. The step wise preparation of bank reconciliation statement is shown in figure 5.4.

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Illustration 9

The following is the summary of a cash book for December, 2014.

Cash Book (Bank Column)

	Rs.		*Rs.*
Receipts	13,221	Balance b/d	6,849
Balance c/d	4,986	Payments	11,358
	18,207		18,207

All receipts are banked and payments are made by cheques. On investigation the following are observed:

1. Bank charges of Rs. 1,224 entered in the bank statement have not been entered in cash book.
2. Cheques drawn amounting to Rs. 2,403 have not been presented to the bank for payment.
3. Cheques received totalling Rs. 6,858 have been entered in the cash book and deposited in the bank, but have not been credited by the bank until January, 2015.
4. A cheque for Rs. 198 has been entered as a receipt in the cash book instead of as payment.
5. A cheque for Rs. 225 has been debited by the bank in error.
6. A cheque received for Rs. 720 has been returned by the bank and marked "No funds available", no adjustment had been made in the cash book.
7. All dividends receivable are credited directly to the bank account. During December, an amount of Rs. 558 was credited by the bank and no entry is made in the cash book.
8. A cheque drawn for Rs. 54 has been incorrectly entered in the cash book as Rs.594.
9. The balance brought forward should have been Rs. 6399.
10. The bank statement as on December, 31, 2014 showed an overdraft of Rs. 10,458.
    (a) You are required to prepare an amended cash book and
    (b) Prepare a bank reconciliation statement as on Dec. 31, 2014.

Solution

Amended Cash Book
(Bank column)

Dr. **Cr.**

Date	*Receipts*	*L.F.*	*Amount Rs.*	*Date*	*Payments*	*L.F.*	*Amount Rs.*
	Dividends received		558		Balance b/d		4,986
					Bank charges		1,224
	Adj. for cheque drawn for Rs.54 entered as Rs.594		540		Adj. regarding cheque entered as receipt		396
	Adj. of balance brought forward		450		Adj. regarding cheque returned		720
	Balance c/d		5,778				
			7,326				7,326
					Balance b/d		5,778

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Bank Reconciliation Statement as on Dec. 31, 2014

		Rs.	*Rs.*
	Overdraft as per bank statement		10,458
Add:	Cheque issued but not yet presented for payment		2,403
			12,861
Less:	Cheques deposited but not yet credited	6,858	
	Cheque debited in error	225	7,083
	Balance as per cash book		5,778

Illustration 10

The bank overdraft of Smith Ltd., on December 31, 2014 as per cash book is Rs.18,000 From the following information, asscertain the adjusted cash balance and prepare bank reconciliation statement

		Rs.
(i)	Unpresented cheques	6,000
(ii)	Uncleared cheques	3,400
(iii)	Bank interest debited in the passbook only	1,000
(iv)	Bills collected and credited in the passbook only	1,600
(v)	Cheque of Arun traders dishonoured	1,000
(vi)	Cheque issued to Kapoor & Co. not yet entered in the of cash book.	600

Amended Cash Book (Bank Column)

Dr. **Cr.**

Date	*Receipts*	*L.F.*	*Amount Rs.*	*Date*	*Payments*	*L.F.*	*Amount Rs.*
	Bills collected as per passbook		1,600		Balance b/d		18,000
	Balance c/d		19,000		Interest		1,000
					Cheque dishonoured (Arun Traders)		1,000
					Kapoor and Co. (cheque)		600
			20,600				20,600
					Balance b/d		19,000

Bank Reconciliation Statement as on December 31, 2014

	Bank overdraft as per cash book	19,000
Add	Uncleared cheques	3,400
		22,400
Less	Unpresented cheques	6,000
	Bank overdraft as per passbook	16,400

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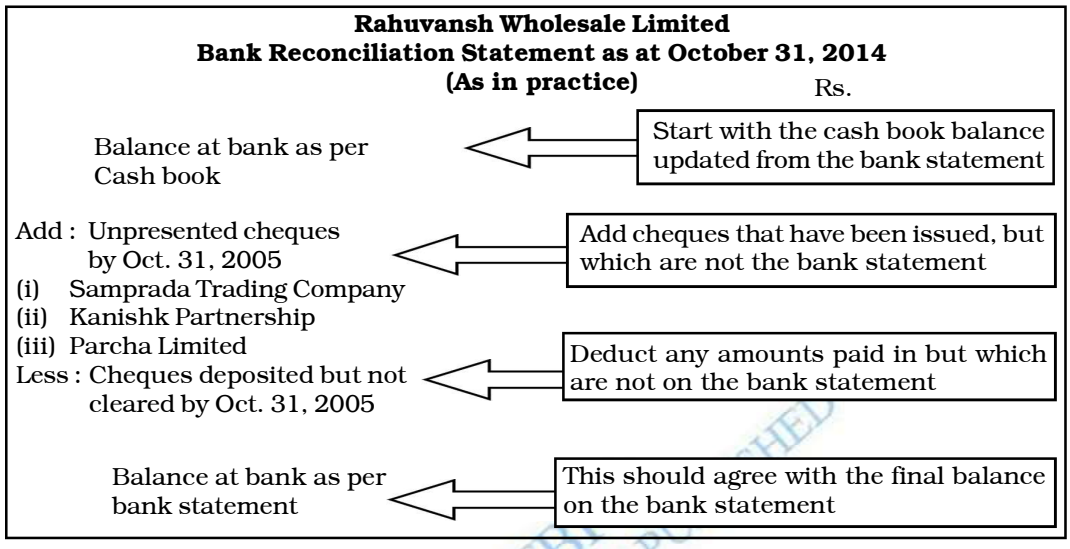

Fig. 5.4 : *Showing the step wise preparation of bank reconcilation statement*

A Small Project — An Activity of Preparation of Bank Reconcilation Statement

Kamlesh works as a cashier for Aqua Products Co. His responsibilities include maintainance of the firm's. The firm's cash book for July 2014 which Kamlesh has just finished entering and balancing for the month is shown in exhibit 1. Help Kamlesh to prepare the bank reconciliation statement.

Note : the cash column is omitted). A copy of firm's bank statement dated July 31, 2014 is also illustrated in exhibiy 2. The numerical difference between the two is Rs. 261.30. (*Bank statement Rs. 903.00 – Cash book Rs. 641.70*).

Solution

Aqua Products – Cash Book

Dr. **Cr.**

Date	*Receipts*	*Bank Rs.*	*Date*	*Payments*		*Bank Rs.*
2014			2014			
July 01	Balance b/d	756.20✓	July 02	Aditya	004450	50.00✓
July 03	Kanishk Enterprises	220.00✓	July 02	Verma & Co.	004451	130.00
July 15	Rampaul and Sons	330.00✓	July 02	Gytri & Co.	004452	10.00✓
July 31	Sarin Bros	63.00	July 08	Mehta Ltd.	004453	27.50
			July 14	Subash & Co.		89.00✓
			July 14	Kaushik	004454	49.00✓
			July 15	Kriosk Ltd.	004455	250.00✓
			July 26	Insurance premium (SO)		122.00✓
			July 31	Balance c/d		641.70
		1,369.20				1,369.20
July 31	Balance b/d	641.70				

Exhibit-1

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Bank Statement

Account	Aqual Products Co.
Account Number	79014456
Ledger No.	17
Date	July 31, 2014

Date	*Details*	*Debit Rs.*	*Credit Rs.*	*Balance Rs.*
2014				
July 01	Balance			756.20 Cr.✓
July 04	Cheques		220.00 ✓	976.20 Cr.
July 09	004450	50.00✓		926.20 Cr.
July 14	004452	10.00✓		916.20 Cr.
July 16	Subash & Co. (DD)	89.00✓		827.20 Cr.
July 19	Cheques		330.00 ✓	1,157.20 Cr.
July 24	004455	250.00✓		907.20 Cr.
July 26	Insurance Premium	122.00✓		785.20 Cr.
July 30	004454	49.00✓		736.20 Cr.
July 31	Bank charges	12.95		723.25 Cr.
July 31	Ruchita Limited		179.75	903.00 Cr.

Exhibit 2

Step 1 : *Tick off the items in both cash book and bank statement* (*as shown in Exhibit 2*).
Step 2 : *Updating the cash book from the bank statement.*
The unticked items on the bank statement indicate items that have not yet been entered in Aqua Products Co's cash book. These are :

(i) Receipt on July 31 by Ruchita Limited amounting to Rs. 179.75
(ii) Bank charges debited by bank on July 31 amounting to Rs. 12.95

These items needs to be entered in the cash book to up date it (refer exhibit 3 – The new entries are shown in darker type).

Aqua Products Cash Book (Extract)

Dr. **Cr.**

Date	*Receipts*	*Bank Rs.*	*Date*	*Payments*	*Bank Rs.*
2014			2014		
July 31	Balance b/d	641.70	**July 31**	**Bank charges**	**12.95**
July 31	**Ruchita Limited**	**179.75**	Jul. 31	Balance c/d	808.50
		821.45			821.45
Aug. 01	Balance b/d	808.50			

Exhibit 3

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Step 3 : Balance the cash book bank columns to produce an updated balance.

As shown in exhibit 3, the balance of the bank column stands at Rs. 808.50. But then a difference is Rs. 94.50 (i.e. Rs. 903.00 – 808.50) still exists.

Step 4 : Identify the remaining unticked items from the cash book.

These are

		Rs.
1.	Receipts on July 31 from Sarin Bros	63.00
2.	Payments made on July 02 to Verma & Co. (*Cheque No. 004457*)	130.00
3.	Payments made on July 08 to Mehta Ltd. (*Cheque No. 004453*)	27.50

These above three items will appear in next month's bank statement as these are due to *time gap.* These are the items which will appear in the bank reconciliation statement.

Aqua Products Co.

Bank Reconciliation Statement as on July 31, 2014

			Rs.
	Balance at bank as per cash book		808.50
Add	Unpresented cheques		
	Verma and Co.	130.00	
	Mehta and Co.	27.50	157.50
			966.00
Less	Outstanding lodgement		63.00
	Balance at bank as per bank statement		903.00

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Do it Yourself

You are a trainee accountant for Kamraj Limited, a small printing company. One of your tasks is to enter transactions in the company's cash book, check the entries on receipt of the bank statement, update the cash book and make any amendments as necessary. You are then asked to prepare a bank reconciliation statement at the end of the month.

The company's cash book (showing the bank money columns only) and the bank statement are given on page no. 169 (refer exhibit 1).

You are required to :

- compare the cash book with the bank statement as on August 31, 2014 (refer exhibit 2 on page no. 169).
- Make the entries necessary to update the cash book.
- Calculate the adjusted bank balance as per cash book.

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Kamraj Ltd. – Cash Book

Date	*Particulars*	*Bank Rs.*	*Date*	*Particulars*	*Bank Rs.*
2014			2014		
Aug. 01	Balance b/d	1,946	Aug. 02	XYZ Insurance 75	
Aug. 01	Kapoor & Co.	249	Aug. 02	Nanda & Co. 200100	206
Aug. 05	V. S. Rao	188	Aug. 04	Daily Ltd. 200101	315
Aug. 08	S. K. Alok	150	Aug. 07	Garage Charges 200102	211
Aug. 10	E. Norries Ltd.	440	Aug. 09	M.D. Finance	120
Aug. 18	Samaira Ltd.	65	Aug. 13	Hill Bros 200103	22
Aug. 27	Harsh Vardan	520	Aug. 20	Akshey Ltd. 200104	137
Aug. 30	IBP Partners	82	Aug. 27	Kalakriti Ltd.	270
			Aug. 31	Balance c/d	2,284
		3,640			3,640
Sep. 01	Balance b/d	2,284			

Exhibit 1

ABC **STATEMENT**
12, Mall Road, Gurgaon.
Account Kamraj Limited Account No. 78300582
Date August 31, 2014

Date	*Particulars*	*Debit*	*Credit*	*Balance Rs.*
2014				
Aug. 01	Balance			1,946 CR
Aug. 02	Cheques		249	2,195 CR
Aug. 04	XYZ Insurance (DD)	75		2,120 CR
Aug. 04	200101	315		1,805 CR
Aug. 05	V. S. Rao		188	1,993 CR
Aug. 08	Cheques		150	2,143 CR
Aug. 09	200102	211		1,932 CR
Aug. 12	Cheques		440	2,372 CR
Aug. 12	N. P. Finance (SO)	120		2,252 CR
Aug. 20	Cheques		65	2,317 CR
Aug. 27	Kalakriti Ltd.	270		2,047 CR
Aug. 30	Tony Bros		92	2,139 CR
Aug. 31	Bank charges	55		2,084 CR
Aug. 31	Surya Finance (SO)	1,000		1,084 CR

Exhibit 2

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Name of business.....

Bank Reconciliation Statement as at .....

Balance at bank as per cash book	.....
Add : unpresented cheque(s)	.....
Less : outstanding lodgement(s) not yet entered on bank statement	
Balance at bank as per bank statement	.....

Note : show the working clearly and step-wise

Test your Understanding - III

State whether each of the following statements is True or False

1. Passbook is the statement of account of the customer maintained by the bank.
2. A business firm periodically prepares a bank reconciliation statement to reconcile the bank balance as per the cash book with the passbook as these two show different balances for various reasons.
3. Cheques issued but not presented for payment will reduce the balance as per the passbook.
4. Cheques deposited but not collected will result in increasing the balance of the cash book when compared to passbook.
5. Overdraft as per the passbook is less than the overdraft as per cash book when there are cheques deposited but not collected by the banker.
6. The debit balance of the bank account as per the cash book should be equal to the credit balance of the account of the business in the books of the bank.
7. Favourable bank balance as per the cash book will be less than the bank passbook balance when there are unpresented cheques for payment.
8. Direct collections received by the bank on behalf of the customers would increase the balance as per the bank passbook when compared to the balance as per the cash book.
9. When payments made by the bank as per the standing instructions of the customer, the balance in the passbook will be more when compared to the cash book.

Key Terms Introduced in the Chapter

1. Bank Reconciliation Statement
2. Cash book and Passbook

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Summary with Reference to Learning Objectives

1. *Bank Reconciliation Statement :* A statement prepared to reconcile the bank balance as per cash book with the balance as per passbook or bank statement, by showing the items of difference between the two accounts.
2. *Causes of difference :*
   - timing of recoding the transaction.
   - error made by business or by the bank.
3. *Correct cash balance:* It may happens that some of the receipts or payments are missing from either of the books and errors, if any, need to be rectified. This arise the need to look at the entries/errors recorded in both statements and other information available and compute the correct cash balance before reconciling the statements.

Questions for Practice

Short Answers

1. State the need for the preparation of bank reconciliation statement?
2. What is a bank overdraft?
3. Briefly explain the statement 'wrongly debited by the bank' with the help of an example.
4. State the causes of difference occurred due to time lag.
5. Briefly explain the term 'favourable balance as per cash book'
6. Enumerate the steps to ascertain the correct cash book balance.

Long Answers

1. What is a bank reconciliation statement. Why is it prepared?
2. Explain the reasons where the balance shown by the bank passbook does not agree with the balance as shown by the bank column of the cash book.
3. Explain the process of preparing bank reconciliation statement with amended cash balance.

Numerical Questions

Favourable balance of cash book and passbook –

1. From the following particulars, prepare a, bank reconciliation statement as at March 31, 2014.
   (i) Balance as per cash book Rs. 3,200
   (ii) Cheque issued but not presented for payment Rs. 1,800
   (iii) Cheque deposited but not collected upto March 31, 2014 Rs. 2000
   (iv) Bank charges debited by bank Rs. 150
   (*Ans*: Balance as per passbook Rs. 2,800)
2. On March 31 2014 the cash book showed a balance of Rs. 3,700 as cash at bank, but the bank passbook made up to same date showed that cheques for Rs. 700, Rs. 300 and Rs. 180 respectively had not presented for payment,

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Also, cheque amounting to Rs. 1,200 deposited into the account had not been credited. Prepare a bank reconciliation statement.
(*Ans* : Balance as per passbook Rs. 3,680).

3. The cash book shows a bank balance of Rs. 7,800. On comparing the cash book with passbook the following discrepancies were noted :
   (a) Cheque deposited in bank but not credited Rs. 3,000
   (b) Cheque issued but not yet present for payment Rs. 1,500
   (c) Insurance premium paid by the bank Rs. 2,000
   (d) Bank interest credit by the bank Rs. 400
   (e) Bank charges Rs. 100
   (d) Directly deposited by a customer Rs. 4,000
   (*Ans:* Balance as per passbook Rs. 8,600).
4. Bank balance of Rs. 40,000 showed by the cash book of Atul on December 31, 2013. It was found that three cheques of Rs. 2,000, Rs. 5,000 and Rs. 8,000 deposited during the month of December were not credited in the passbook till January 02, 2014. Two cheques of Rs. 7,000 and Rs. 8,000 issued on December 28, were not presented for payment till January 03, 2014. In addition to it bank had credited Atul for Rs. 325 as interest and had debited him with Rs. 50 as bank charges for which there were no corresponding entries in the cash book.
   Prepare a bank reconciliation statement as on December 31, 2013.
   (*Ans:* Balance as per passbook Rs. 40,245).
5. On comparing the cash book with passbook of Naman it is found that on March 31, 2014, bank balance of Rs. 40,960 showed by the cash book differs from the bank balance with regard to the following :
   (a) Bank charges Rs 100 on March 31, 2014, are not entered in the cash book.
   (b) On March 21, 2014, a debtor paid Rs. 2,000 into the company's bank in settlement of his account, but no entry was made in the cash book of the company in respect of this.
   (c) Cheques totaling Rs. 12,980 were issued by the company and duly recorded in the cash book before March 31, 2014, but had not been presented at the bank for payment until after that date.
   (d) A bill for Rs. 6,900 discounted with the bank is entered in the cash book with recording the discount charge of Rs. 800.
   (e) Rs. 3,520 is entered in the cash book as paid into bank on March 31st, 2014, but not credited by the bank until the following day.
   (f) No entry has been made in the cash book to record the dishon or on March 15, 2014 of a cheque for Rs. 650 received from Bhanu.
   Prepare a reconciliation statement as on March 31, 2014.
   (*Ans:* Balance as per passbook Rs. 50,870).
6. Prepare bank reconciliation statement as on December 31, 2014. On this day the passbook of Mr. Himanshu showed a balance of Rs. 7,000.
   (a) Cheques of Rs. 1,000 directly deposited by a customer.

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(b) The bank has credited Mr. Himanshu for Rs. 700 as interest.

(c) Cheques for Rs. 3000 were issued during the month of December but of these cheques for Rs. 1,000 were not presented during the month of December.

(*Ans:* Balance as per cash book Rs. 3,300).

7. From the following particulars prepare a bank reconciliation statement showing the balance as per cash book on December 31, 2014.

(a) Two cheques of Rs. 2,000 and Rs. 5,000 were paid into bank in October, 2014 but were not credited by the bank in the month of December.

(b) A cheque of Rs. 800 which was received from a customer was entered in the bank column of the cash book in December 2014 but was omitted to be banked in December, 2014.

(c) Cheques for Rs. 10,000 were issued into bank in November 2014 but not credited by the bank on December 31, 2014.

(d) Interest on investment Rs. 1,000 collected by bank appeared in the passbook.

Balance as per Passbook was Rs. 50,000

(*Ans:* Balance as per cash book Rs. 47,800)

8. Balance as per passbook of Mr. Kumar is 3,000.

(a) Cheque paid into bank but not yet cleared

Ram Kumar Rs. 1,000

Kishore Kumar Rs. 500

(b) Bank Charges Rs. 300

(c) Cheque issued but not presented

Hameed Rs. 2,000

Kapoor Rs. 500

(d) Interest entered in the passbook but not entered in the cash book Rs. 100

Prepare a bank reconciliation statement.

(*Ans:* Balance as per cash book Rs. 2,200).

9. The passbook of Mr. Mohit current account showed a credit Balance of Rs. 20,000 on dated December 31, 2014. Prepare a Bank Reconciliation Statement with the following information.

(i) A cheque of Rs. 400 drawn on his saving account has been shown on current account.

(ii) He issued two cheques of Rs. 300 and Rs. 500 on of December 25, but only the Ist cheque was presented for payment.

(iii) One cheque issued by Mr. Mohit of Rs. 500 on December 25, but it was not presented for payment whereas it was recorded twice in the cash book.

(*Ans:* Balance as per cash book Rs. 18,900).

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Unfavourable balance of cash book

10. On Ist January 2014, Rakesh had an overdraft of Rs. 8,000 as showed by his cash book. Cheques amounting to Rs. 2,000 had been paid in by him but were not collected by the bank by January 01, 2014. He issued cheques of Rs. 800 which were not presented to the bank for payment up to that day. There was a debit in his passbook of Rs. 60 for interest and Rs. 100 for bank charges. Prepare bank reconciliation statement for comparing both the balance.
(*Ans :* Overdraft as per passbook Rs. 9,360)

11. Prepare bank reconciliation statement.
    (i) Overdraft shown as per cash book on December 31, 2014 Rs. 10,000.
    (ii) Bank charges for the above period also debited in the passbook Rs. 100.
    (iii) Interest on overdraft for six months ending December 31, 2014 Rs. 380 debited in the passbook.
    (iv) Cheques issued but not incashed prior to December 31, 2014 amounted to Rs. 2,150.
    (v) Interest on Investment collected by the bank and credited in the passbook Rs. 600.
    (vi) Cheques paid into bank but not cleared before December, 31 2014 were Rs. 1,100.
    (*Ans:* overdraft as per passbook Rs. 8,830).

12. Kumar find that the bank balance shown by his cash book on December 31, 2014 is Rs. 90,600 (Credit) but the passbook shows a difference due to the following reason:
    A cheque (post dated) for Rs. 1,000 has been debited in the bank column of the cash book but not presented for payment. Also, a cheque for Rs. 8,000 drawn in favour of Manohar has not yet been presented for payment. Cheques totaling Rs. 1,500 deposited in the bank have not yet been collected and cheque for Rs. 5,000 has been dishonoured.
    (*Ans:* overdraft as per passbook Rs. 1,03,600).

13. On December 31, 2014, the cash book of Mittal Bros. Showed an overdraft of Rs. 6,920. From the following particulars prepare a Bank Reconciliation Statement and ascertain the balance as per passbook.
    (1) Debited by bank for Rs. 200 on account of Interest on overdraft and Rs. 50 on account of charges for collecting bills.
    (2) Cheques drawn but not encashed before December, 31,2014 for Rs. 4,000.
    (3) The bank has collected interest and has credited Rs. 600 in passbook.
    (4) A bill receivable for Rs. 700 previously discounted with the bank had been dishonoured and debited in the passbook.
    (5) Cheques paid into bank but not collected and credited before December 31, 2014 amounted Rs. 6,000.
    (*Ans :* Overdraft as per passbook Rs. 9,270).

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Unfavourable balance of the passbook

14. Prepare bank reconciliation statement of Shri Bhandari as on December 31, 2014
    (i) The Payment of a cheque for Rs. 550 was recorded twice in the passbook.
    (ii) Withdrawal column of the passbook under cast by Rs. 200
    (iii) A Cheque of Rs. 200 has been debited in the bank column of the Cash Book but it was not sent to bank at all.
    (iv) A Cheque of Rs. 300 debited to Bank column of the passbook was not sent to the bank.
    (v) Rs. 500 in respect of dishonoured cheque were entered in the passbook but not in the cash book.
    Overdraft as per passbook is Rs. 20,000.
    (*Ans:* Overdraft as per cash book Rs. 20,350).
15. Overdraft shown by the passbook of Mr. Murli is Rs. 20,000. Prepare bank reconciliation statement on dated December 31, 2014.
    (i) Bank charges debited as per passbook Rs. 500.
    (ii) Cheques recorded in the cash book but not sent to the bank for collection Rs. 2,500.
    (iii) Received a payment directly from customer Rs. 4,600.
    (iv) Cheque issued but not presented for payment Rs. 6,980.
    (v) Interest credited by the bank Rs. 100.
    (vi) LIC paid by bank Rs. 2,500.
    (vii) Cheques deposited with the bank but not collected Rs. 3,500.
    (Ans: Overdraft as per cash book Rs. 22,680).
16. Raghav & Co. have two bank accounts. Account No. I and Account No. II. From the following particulars relating to Account No. I, find out the balance on that account of December 31, 2014 according to the cash book of the firm.
    (i) Cheques paid into bank prior to December 31, 2014, but not credited for Rs. 10,000.
    (ii) Transfer of funds from account No. II to account no. I recorded by the bank on December 31, 2014 but entered in the cash book after that date for Rs. 8,000.
    (iii) Cheques issued prior to December 31, 2014 but not presented until after that date for Rs. 7,429.
    (iv) Bank charges debited by bank not entered in the cash book for Rs. 200.
    (v) Interest Debited by the bank not entered in the cash book Rs. 580.
    (vi) Overdraft as per Passbook Rs. 18,990.
    (*Ans:* Overdraft as per cash book Rs. 23,639).

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17. Prepare a bank reconciliation statement from the following particulars and show the balance as per cash book.
    (i) Balance as per passbook on December 31, 2014 overdrawn Rs. 20,000.
    (ii) Interest on bank overdraft not entered in the cash book Rs. 2,000.
    (iii) Rs. 200 insurance premium paid by bank has not been entered in the cash book.
    (iv) Cheques drawn in the last week of December, 2014, but not cleared till date for Rs. 3,000 and Rs. 3,500.
    (v) Cheques deposited into bank on November, 2014, but yet to be credited on dated December 31, 2014 Rs. 6,000.
    (vii) Wrongly debited by bank Rs. 500.
    (*Ans:* Overdraft as per cash book Rs. 17,800).
18. The passbook of Mr. Randhir showed an overdraft of Rs. 40,950 on March 31, 2013.
    Prepare bank reconciliation statement on March 31, 2013.
    (i) Out of cheques amounting to Rs. 8,000 drawn by Mr. Randhir on March 27 a cheque for Rs. 3,000 was encashed on April 2014.
    (ii) Credited by bank with Rs. 3,800 for interest collected by them, but the amount is not entered in the cash book.
    (iii) Rs. 10,900 paid in by Mr. Randhir in cash and by cheques on March, 31 cheques amounting to Rs. 3,800 were collected on April, 07.
    (iv) A Cheque of Rs. 780 credited in the passbook on March 28 being dishonoured is debited again in the passbook on April 01, 2014. There was no entry in the cash book about the dishonour of the cheque until April 15.
    (*Ans:* Overdraft as per cash book Rs. 36,350)

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Project

1. You are employed by Silk and Carpets as their cashier. Your main responsibility is to maintain the company's cash book and prepare a bank reconciliation statement at the end of each month.
   The cash book (showing the bank money columns only) is set out below together with a copy of the bank statement for February 2014.

You are required to :

- Reconcile the cash book with the bank statement.
- Make the entries necessary to update the cash book..
- Start with the balance as per the cash book, list any unpresented cheques and sub-total on the reconciliation statement.
- Enter details of bank lodgements.
- Calculate the balance as per the bank statement and check your total against the bank statement for accuracy.

Silk & Carpets Ltd. Cash Book

Dr. **Cr.**

Date	*Particulars*	*Bank Rs.*	*Date*	*Particulars*	*Bank Rs.*
2014			2014		
Feb. 01	Balance b/d	1,425	Feb. 01	Bhargav Bros	98
Feb. 01	Brown & Co.	157	Feb. 01	Maruti Ltd. (400460)	50
Feb. 04	Brindas	243	Feb. 03	Jackson Ltd. (400461)	540
Feb. 08	Robinson Ltd.	91	Feb. 09	Spencer Partners (400462)	42
Feb. 13	Morris	75	Feb. 09	Ivory Computer (400463)	490
Feb. 20	Kinki and Co.	420	Feb. 10	Surya Insurance	300
Feb. 28	Howell Ltd.	94	Feb. 16	Shankar Garage (400464)	110
			Feb. 23	Petty cash (400465)	50
			Feb. 27	Swaroop & Co. (400466)	120
			Feb. 28	Balance c/d	705
		2,505			2,505
Feb. 08	Balance b/d	705			

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ROHTAGI BANK **STATEMENT**
10, Shastri Road, New Delhi.

Account Brooklyn Limited **Account No.** 29842943

Date February 28, 2014

Date 2014	*Particulars*	*Debit*	*Credit*	*Balance*
Feb. 01	Balance			1,425 Cr.
Feb. 02	Cheques		157	1,582 Cr.
Feb. 04	Maruti Ltd.	50		1,532 Cr.
Feb. 02	400460	98		1,434 Cr.
Feb. 06	Brindas		243	1,677 Cr.
Feb. 10	Cheques		91	1,768 Cr.
Feb. 12	Surya Insurance (DD)	300		1,468 Cr.
Feb. 14	Morris		75	1,543 Cr.
Feb. 14	400463	490		1,053 Cr.
Feb. 23	Cheques		420	1,473 Cr.
Feb. 26	Rajeshwar	103		1,370 Cr.
Feb. 26	400465	50		1,320 Cr.
Feb. 27	Soumya		220	1,540 Cr.
Feb. 28	Bank charges	38		1,502 Cr.

2. As accounts assistant for Chinnar Limited your main task is to enter transactions into the company's cash book, check the entries against the bank statement and prepare a monthly bank reconciliation statement.
The cash book (showing the bank money columns only) and bank statement for October 2014 are set out below.

You are required to :

- Reconcile the cash book with the bank statement.
- Make the entries necessary to update the cash book.
- Balance the bank columns of the cash book and calculate the revised bank balance.
- Start with the balance as per the cash book, list any unpresented cheques and sub-total on the reconciliation statement.
- Enter details of bank lodgements.
- Calculate the balance as per the bank statement and check your total against the bank statement for accuracy.

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Chinnar Limited – Cash Book

Date	*Particulars*	*Bank Rs.*	*Date*	*Particulars*	*Bank. Rs.*
2014			2014		
Oct. 01	Balance b/d	2,521	Oct. 01	Sharp & Co Rent	400
Oct. 04	Allen Rogers	620	Oct. 04	I. Oswal 210526	367
Oct. 08	Moore & Kale	27	Oct. 05	Health & Sports 210527	1,108
Oct. 11	Howard Limited	48	Oct. 08	Evon & Son 210528	320
Oct. 11	Barrett & Bryson	106	Oct. 13	Khare Garage 210529	32
Oct. 12	D Patel	301	Oct. 14	J. Choudrey 210530	28
Oct. 20	Cohen & Co.	58	Oct. 22	Astha Insurance (DD)	139
Oct. 25	J McGilvery	209	Oct. 25	Soma Computers 210531	1,800
Oct. 31	Balance c/d	604	Oct. 30	Rastogi	300
		4,494			4,494
			Nov. 01	Balance b/d	604

OM BANK **STATEMENT**
99, Jawahar Marg
Account Chinnar Limited **Account No.** 06618432
Date October 31, 2014

Date	*Particulars*	*Debit*	*Credit*	*Balance Rs.*
2014				
Oct. 01	Balance			2,521 Cr.
Oct. 01	Sharp & Co	400		2,121 Cr.
Oct. 04	Allen Rogers		620	2,741 Cr.
Oct. 07	210526	367		2,374 Cr.
Oct. 11	Cheques		154	2,528 Cr.
Oct. 13	D Patel (BGC)		301	2,829 Cr.
Oct. 15	Cheques		27	2,856 Cr.
Oct. 18	210528	320		2,536 Cr.
Oct. 18	210527	1,108		1,428 Cr.
Oct. 22	Astha Insurance (DD)	139		1,289 Cr.
Oct. 27	210531	1,800		511 Dr.
Oct. 28	Bharadwaj's		114	397 Dr.
Oct. 29	Rastogi	300		697 Dr.
Oct. 29	Bank Interest	53		750 Dr.
Oct. 29	Bank Charges	45		795 Dr.

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Checklist to Test Your Understanding

Test Your Understanding - I

(I) 1. Time gap 2. Error 3. Time gap
4. Time gap 5. Time gap

(II) (i) Customer account (ii) Debit (iii) Credit
(iv) Debit (v) Added (vi) Deducted
(vii) loss (viii) Loss (ix) Added
(x) Higher

Test Your Understanding - II

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

Test Your Understanding - III

1. (T) 2. (T) 3. (F) 4. (T) 5. (F) 6.(T), 7.(T) 8.(T) 9.(F)

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