

### BANK RECONCILIATION STATEMENT (I)

- ✘ The bank and the company maintain independent records of the company's checking account. The two balances are almost never same because of:
  - ⊗ Time lags that prevent one of the parties from recording the transaction in the same period
  - ⊗ Errors by either party in recording transactions. Bank errors are infrequent
- ✘ The cash Book and Pass Book / Bank Statement are prepared separately
- ✘ The Businessman prepares the Cash Book and the Pass Book is prepared by the Bank (here by cash book we mean two or three column cash Book)
- ✘ But as both the books are related to one person and same transactions are recorded in both the books so the balance of both the books should match i.e. the balance as per Pass Book should match to balance at bank as per cash book

	Favorable Balance	Unfavorable Balance
Cash Book		
Pass Book / Bank Statement		

- ✘ But many a times these two balances do not agree then, it becomes necessary to reconcile them by preparing a statement which is called Bank Reconciliation Statement
- ✘ A Bank Reconciliation Statement may be defined as a statement showing the items of differences between the cash Book balance and the pass book balance, prepared on any day for reconciling the two balances

#### 16.1 Items of Difference

- ✓ A transaction relating to bank has to be recorded in both the books i.e. Cash Book and Pass Book
- ✓ But sometimes it happens that a bank transaction is recorded only in one book and not recorded simultaneously
- ✓ This causes difference in the two balances usually arises due to timing or errors

#### 16.2 BRS Missing Approach

- In missing method first of all we dig out missing or error items (Find Missing or Error Items)
- After that find the it is missing of cash book or bank statement (Find Missing Book)
- Finally, analyze that it is missing of debit or credit (Find Missing Side)

##### 16.2.1 Unpresented / Outstanding / Not Cashed or Uncashed Cheques:

- Cheque issued (for payments) by business but not presented for payment
- A cashier may send cheques out to suppliers, some of whom may present cheque at the bank immediately while others may keep the cheque for several days
- Cashier will have recorded all the payments in the cash book immediately when issue the cheques
- However, the bank records will only show the cheques that have actually been presented by the suppliers

##### 16.2.2 Uncredited / Uncollected / Uncleared or Outstation Cheques:

- ✓ Check deposited (for receipts) but not collected by bank
- ✓ The firm's cashier records a receipt in the cash book as he or she prepares the bank paying-in slip
- ✓ However, the receipt may not be recorded by the bank on the bank statement for a day or so

**16.2.3 Bank Charges:**

- ❖ The bank charges some amount from each customer by way of incidental charges, collection charges or interest on overdraft etc. Bank debited the amount in pass book
- ❖ But customer comes to know about it only at the end of month

**16.2.4 Interest Credit by Bank:**

- When the bank allows interest to a customer, it credits the customer’s account
- But customer comes to know about it only at the end of month than he would pass appropriate entry

**16.2.5 Direct Deposits to Bank:**

- ✚ When the bank has received a direct amount on the behalf of the business
- ✚ Bank will have recorded the receipt in the business’s account at the bank but the business will be unaware

**16.2.6 Direct payment by Bank:**

- Bank may have deducted items from the customer’s account, but the customer may not be aware of the deduction until the bank statement arrives
- Examples of these deductions include are standing order and direct debit payments

**16.2.7 Check Dishonored:**

- Cheque may be dishonored due to so many reasons
- It is missing of cash book reverse impact as recorded before dishonored

**16.2. 8 Errors and Omissions:**

- Sometimes the difference between the two balances may be accounted for by an error or omission on the part of the bank statement or in the cash book of the business
- Find the missing in order to rectify error or record omission

<i>Cash Book</i>	

<i>Bank Statement</i>	

<i>Cash Book (Missing)</i>	

<i>Bank Statement (Missing)</i>	





**Example # 16.2:** From the following transactions, you are required to mention missing (Cash Book or Bank Statement & Dr /Cr)

Transactions	Missing		
	Cash Book	Bank Statement	Dr / Cr
Unpresented cheque			
Bank charges			
Interest credit by bank			
Direct deposits to bank			
Direct payment by bank			
Uncredited checks			
Uncollected checks			
Issued check dishonored			
Credit side of the Bank column in cash book cast short			
Check received entered twice in the cash book			
Outstanding check			
Deposited check dishonored			
Uncleared cheque			
Interest allowed by the bank			
Bank services charges for the month			
Bank credited interest			
Charged commission on collection of outstation check by bank			
The debit side of the cash book had been undercast			
The bank debited			
A check issued to Ahmed & Co. was not encashed			
Outstation cheque			
Interest charged by the bank			
An unpaid cheque by bank			
A check was credited twice in Cash book			
Bills receivable directly collected by bank			
Uncashed cheque			
Cheque issued but not cashed			
Cheque paid into bank but not cleared			
Deposits in transit			
Cheque paid in but not entered in the Cash Book			
NSF			

**Practice MCQs**

[www.accountancyknowledge.com/bank-reconciliation-statement-mcqs-1/](http://www.accountancyknowledge.com/bank-reconciliation-statement-mcqs-1/)

**Practice Problems with Solutions**

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