

CHAPTER – 3

BANK RECONCILIATION STATEMENT



BANK RECONCILIATION STATEMENT	The reconciliation will bring out any errors that may have been committed either in the cash book or in the pass book
BANK PASS BOOK	Bank pass book is merely a copy of the customer's account in the book of a bank. The bank either sends periodical statements of account or gives a pass book to its customer in which all deposits and withdrawals made by the customers during the particular period is recorded.
BANK RECONCILIATION STATEMENT	To reconcile means to reason or find out the difference between two eliminating that difference. Whenever we deposit or withdraws money from banks, it is always recorded at two places:- Bank column of cash book; and Bank statement (Pass book)
IMPORTANCE OF BANK RECONCILIATION STATEMENT	The reconciliation will bring out any errors that may have been committed either in the cash book or in the pass book; Any undue delay in the clearance of cheques will be shown the up by the reconciliation A regular reconciliation discourages the accountant of

bank of embezzlement.
It helps in finding out the actual position of the bank balance.

METHODS OF BANK RECONCILIATION

Bank Reconciliation Statement without preparation of adjusted cash book.

Bank Reconciliation statement after the preparation of adjusted - cash book.



Question 1

State with reasons whether the following statement is true or false: Interest charged by the bank will be deducted when the overdraft as per pass book is the starting point for preparing the Bank Reconciliation Statement to arrive at the balance as per cash book at the end.

Answer:

True: Interest charged by the bank had resulted in increased overdraft balance as shown by the Pass Book. Therefore, it will be deducted from this balance in bank reconciliation statement to arrive at the balance as per cash book at the end.

Question 2

Bank reconciliation statement is not prepared to arrive at the bank balance.

Answer:

True: BRS is prepared to explain the causes of difference between the balance as per cash book and the same as per cash book and the same as per bank statement as on a particular date.

Question 3

State with brief reasons whether the following statements or True or False:

The allowance made for promoting sales is called Cash discount.

Answer:

False: The allowance made for promoting sales is called Trade Discount and it may vary with the quantity purchased whereas cash discount is allowed for encouraging prompt payment.

Question 4

If a cheque received is further endorsed, it must be entered on both sides of the Cash Book

Answer:

True: When the cheque is received it is debited and when further endorsed it is credited.

Question 5

Sales day book is the summary of both cash and credit sales of the concern.

Answer:

Sales day book is the summary of only credit sales of goods taken place by the firm; Cash Sales are entered in the cash book not in sales book.

Question 6

Direct collection received by the bank on behalf of its customers w increase the balance as per the Bank Passbook as compared to the balance as per the Cash-book.

Answer:

True: Direct collection received by the bank on behalf of its customer will increases the balance of pass book, as compared to the balance as per cash book till the customer gets and intimation from the bank.

Question 7

Briefly Explain the concept of Bank Reconciliation statements.

Answer:

Bank reconciliation statement is prepared as on a particular date to reconcile and explain the causes of difference between the bank balance as per cash book and the same as per savings bank pass book or current account statement. At the end of each month, the bank balance as per cash book and that as per pass book /bank statement should be compared and, if there is disagreement, these balances should be reconciled stating exact reasons of disagreement. The reconciliation is made in a statement called the bank reconciliation Statements.

Question 8**States the importance of Bank Reconciliation Statement.****Answer:**

Bank reconciliation statement is a very important tool for internal control of cash flows. It helps in detecting errors, frauds and irregularities occurred, if any, at the time of passing entries in the cash book or in the pass book, whether intentionally or unintentionally. Since frauds can be detected on the preparation of bank reconciliation statement therefore accountants are careful while preparing and maintaining the records of the business enterprise. Hence it works as an important mechanism of internal control. Following are the salient features of bank reconciliation statement: The reconciliation will bring out any errors that may have been committed either in the cash book or in the pass book: Any undue delay in the clearance of cheques will be shown up by the reconciliation A regular reconciliation discourages the accountant of the bank from embezzlement. There have been many cases when the cashiers merely made entries in the cash book but never deposited the cash in the bank, they were able to get away with it only because of lack of reconciliation. It helps in finding out the actual position of the bank balance.

Question 9**What are the features of bank reconciliation statements?****Answer:****The salient features of bank reconciliation statement:**

1. The reconciliation will bring out any errors that may have been committed either in the cash book or in the pass book;
2. Any undue delay in the clearance of cheques will be shown up by the reconciliation;

3. A regular reconciliation discourages the accountant of the bank from embezzlement. There have been many cases when the cashiers merely made entries in the cash book but never deposited the cash in the bank; they were able to get away with it only because of lack of reconciliation.
4. It helps in finding out the actual position of the bank balance.

Question 10

Briefly explain the following: Causes of difference between the balance shown by the Pass-book and the Cash-book.

Answer:

Theoretically there should be no difference between the balance shown in the Pass Book and the Cash Book. However, on a given date, it is possible that some entries may have been recorded in the cash book but not in the passbook and vice versa. As a result, the cashbook and the passbook may show different balances on a given date. The differences may arise due to:

- Cheques issued but not yet presented for payment. Cheques paid into the bank but not yet cleared.
- Interest allowed by bank
- Dishonor of cheques or bills.
- An error committed by the bank.
- Interest and expenses charged by the bank.
- Direct payments by the bank.
- Interest and other charges debited by the bank.
- Interest and dividend collected by the bank.
- Bills collected by the bank on behalf of the customer

Question 11

Explain Step for Preparing A Bank Reconciliation Statement?

Answer:

Bank Reconciliation Statement is prepared either by starting with the Bank pass book balance or Cash book balance.

If the balance of the Cash book is taken as a starting point then Cash book balance is to be adjusted in accordance with the entries passed in the Bank pass book and vice versa. For example: If the balance is taken as per the Cash book then the following items will be added:

- Cheques issued but not presented for payment;
- Amount credited in Passbook but not in Cash book;
- Deposits made in the bank directly 3B

- Wrong credits given by bank;
- Interest credited in the Passbook.

Question 12

Tell Me What Are the Important Things to Be Remembered While Preparing A Bank Reconciliation Statement?

Answer:

Bank Reconciliation Statement is prepared either by starting with the Bank pass book balance or Cash book balance.

If the balance of the Cash book is taken as a starting point then Cash book balance is to be adjusted in accordance with the entries passed in the Bank pass book and vice versa. For example: If the balance is taken as per the Cash book then the following items will be added.

- Cheques issued but not presented for payment.
- Amount credited in Passbook but not in Cash book.
- Deposits made in the bank directly
- Wrong credits given by bank.
- Interest credited in the Passbook

Question 13

What is a Reconciliation Process?

Answer:

Reconciliation is an accounting process that uses two sets of records to ensure figures are accurate and in agreement. Reconciliation is the key process used to determine whether the money leaving an account matches the amount spent, ensuring the two values are balanced at the end of the recording period.

Question 14

When Bank Reconciliation Statement Prepared?

Answer:

Normally Bank Reconciliation Statement is prepared by the trader on closing date of accounts, i.e., Dec. 31 or June 30 or March 31. Sometimes it is prepared at the end of every month after preparing Cash Book or regularly after certain interval to check the accuracy of Cash Book. Statutory there is no specific date to prepare it.

Question 15

Which items on Bank Reconciliation will require a journal entry?**Answer:**

The items on the bank reconciliation that will require a journal entry are the items noted as "adjustments to books." These items did appear on the bank statement, but they did not appear on the company's books.

Question 16**What are the important things to be Remembered while Preparing a Bank Reconciliation Statement?****Answer:**

While preparing a bank reconciliation statement following important points need to be remembered:

Bank Reconciliation Statement is prepared either by starting with the Bank pass book balance or Cash book balance.

If the balance of the Cash book is taken as a starting point, then Cash book balance is to be adjusted in accordance with the entries passed in the Bank pass book and vice versa. For example: If the balance is taken as per the Cash book, then the following items will be added:

- Cheques issued but not presented for payment;
- Amount credited in Passbook but not in Cash book;
- Deposits made in the bank directly
- Wrong credits given by bank,
- Interest credited in the Passbook.

Question 17**Who Maintains Bank Reconciliation Statement?****Answer:**

Bank Reconciliation statement is prepared when bank balance as our books and bank balance as per pass book (i.e. bank book) differ it basically prepared to rectify the error occurred during the bank transactions.

Question 18**What is The Purpose of Reconciling a Bank Statement?****Answer:**

A bank reconciliation is used to compare your records to those of your bank, to see if there are any differences between these two sets of records for your cash transactions the ending balance of your version of the cash records is

known as the book balance, while the bank's version is called the bank balance.

Question 19

Briefly explain the term Balance as per cash book.

Answer:

While preparing a bank reconciliation statement without adjusting cash book balance, the balance as per cash book on 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. Thus, if the deposits in the bank are more than the withdrawals that balance is called Favourable balances.

Question 20

What is Bank Overdraft.

Answer:

Overdraft is the case where bank account becomes negative and the businesses in effect 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.

Practice.

Question 21

From the following particulars prepare a Bank Reconciliation Statement to find out the causes of difference in two balances as on August 31st, 2016 for Four Star (Pvt.) Ltd.

- i. Bank Overdraft as per Bank Statement _____ 17,000
- ii. Check issued but not encashed during the August _____ 2,200
- iii. Dividends on shares collected by banker _____ 2,300
- iv. Interest charged by the bank recorded twice in the Cash Book _____ 500
- v. Check deposited as per Bank Statement not entered in Cash Book _____ 3,400

- vi. Credit side of the Bank column in Cash Book cast short _____ 1,000
- vii. Clubs' dues paid by bank as per standing instruction not recorded in Cash Book _____ 1,200
- viii. Uncredited check due to outstation _____ 3,900

Solution:

Cash Book (Bank column missing)		Bank statement (Missing)	
iii) Dividend 2,300	vi) Cast short 1,000	i) Balance 17,000	vii) Uncredited 3,900
iv) Interest error 500	vii) Dues paid 1,200	ii) Uncashed Check 2,200	
v) Deposit 3,400			

Four Star (Pvt. Ltd.)
Bank Reconciliation statement
 As on August 31st, 2016

i) Bank Overdraft as per bank statement	(Dr)	Rs. 17,000
Add:		
ii) Check Issued but not encased	2,200	
iii) Divided on shares collected by bank	2,300	
iv) Interest charged recorded twice	500	
v) Check deposited not entered cash book	3,400	8,400
Less:		
vi) Credit side of bank column in cash book cast short	1,000	
vii) Clubs' dues paid by bank	1,200	
viii) Uncredited check due to outstation	3,900	6,100
		Rs. 19,300

Question 22

From the following particulars, you are required to find out the errors in cash book and bank statement by using missing method and prepare Bank Reconciliation Statement as on 31-12-2016, for Chand Bibi Ltd:

- I. Bank balance overdraft as per cash book _____ 80,000
- II. Check recorded for collection but not sent to the bank _____ 10,000g

- III. Credit side of the cash book cast short _____ 1,000
- IV. Premium on proprietor's Life Insurance Policy (LIP) paid on standing order _____ 5,000
- V. Bank Charges recorded twice in the cash book _____ 100
- VI. Customer's check returned by the bank as dishonored _____ 4,000
- VII. Bill Receivable collected by the bank directly on the behalf of company _____ 20,000
- VIII. Check received entered twice in the cash book _____ 6,000
- IX. Check issued but dishonored on technical grounds _____ 3,000
- X. A check deposited into the bank of worth Rs. 45,000 but Rs. 8,000 check was not collected by bank

Solution:

Cash Book		Bank statement	
v) Twice recording 100	i) Balance 80,000		ii) Not send check 10,000
vii) Direct collection 20,000	iii) Cast short 1,000		x) Uncredited 8,000
ix. Dishonored check 3,000	iv) Life insurance policy 5,000		
	vi) Dishonored Check 4,000		
	viii) Twice recording 6,000		

Chand Bibi Ltd.
Bank reconciliation Statement
As on December 31st, 2016

i. Balance As per cash book	(Cr.)	80,000
Add:		
iii. Credit side of the cash book cast short	1,000	
iv. Premium on life insurance policy paid on standing order	5,000	
vi. Customer's check returned by the bank as dishonored	4,000	
viii. Check received entered twice in the cash book	6,000	
ii. Check recorded for collection but not sent to the bank	10,000	
x. Check was not collected by bank	8,000	34,000

		1,14,000
Less:		
v. Bank Changes recorded twice in the cash book	100	
vii. Bill Receivable collected by the bank directly on the behalf of company	20,000	
ix. Check issued but dishonored on technical grounds	3,000	(23,100)
Balance as per Bank statement (Dr.)		Rs. 90,900

Question 23

From the following particulars, find out the errors in cash book and bank statement and prepare Bank Reconciliation Statement as on 31-05-2016 for Ammar Ahmed Sugar Mill Ltd:

- i. Balance as per bank statement overdraft of Rs. 2,118.**
- ii. The debit side of the cash book had been under cast by Rs. 300.**
- iii. A check for Rs. 182 drawn for the payment of telephone bill had been entered in the cash book as Rs. 281 but was shown correctly in the bank statement.**
- iv. A check for Rs. 210 by the customer having been deposited into bank was dishonored by the bank.**
- v. A check was credited twice in Cash Book for worth Rs. 3,000.**
- vi. A Dividend of worth Rs. 90 had been collected by the bank but not recorded in the cash book.**
- vii. Checks Rs. 3,000 drawn in December but only 1,200 presented for payment.**
- viii. Interest amounting 228 had been debited by the bank but not entered in the cash book**
- ix. A check for Rs. 2,077 was issued by the company for purchase of merchandise and was paid by the bank but not recorded in company's book.**
- x. A check for Rs. 10,500 issued to Salman & Co. for purchase of Equipment was not encased.**

Answer:

Cash Book		Bank statement	
ii. Under cast 300	iv. Dishonored 210	i. Balance 2,118	
iii. Error in c/b 99	viii. Interest 228	vii. Unpresented 1,800	
v. Credited twice 3,000	ix. Not recorded 2,077	x. Not encased 10,500	

vi. Dividend	90			
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Ammar Ahmed Sugar Mill Ltd.
Bank reconciliation Statement
 As on May 31st, 2016

i. Balance As per Bank statement	(Dr)		Rs. 2,118
Add:			
vii. Unpresented		1,800	
x. Not encased		10,500	
ii. Under cast		300	
iii. Error in C/B		99	
v. Credited twice		3,000	
vi. Dividend		90	15,789
			17,907
Less:			
iv. Dishonored		210	
viii. Interest		228	
ix. Not recorded		2,077	(2,515)
Balance As per Cash Book	(Cr)		Rs. 15,392

Question 24

Prepare Bank Reconciliation Statement for the month of December, 2007 by missing method using T accounts (for cash book and for bank statement) and Reconciliation Statement:

- The cash book of M/S Universal Trading Company shows a cash book balance of Rs. 102,568 in Soneri bank Ltd. as of 31-12-2007.
- In January, 2008 the firm received a bank statement for the month of December, 2007 showing a credit balance of Rs. 118,068.

Comparison of bank statement with the cash revealed the following anomalies.

- i. Check issued totaling Rs. 115,250 recorded in cash book but not appeared in the bank statement.
- ii. Check received from customers amounting to Rs. 75,850 deposited and properly accounted for in the cash book was not credited by bank.

Check received from the following customers were returned unpaid by the bank.

- iv. Check from Ghazi Autos received on 5-12-2007 for Rs. 1,200.

- v. Check from Rahil Bros. received on 20-12-2007 for Rs. 18,500.
- vi. Check form Akmal Sons was received on 27-12-2007 for Rs. 2,000.
- vii. Excise duty debited by bank Rs. 200.
- viii. Bank charges debited by bank Rs. 1,200
- ix. Charges commission on collection of outstations check by bank of worth Rs. 800

Solution:

Cash Book		Bank statement	
Balance 102,568	(iii) Unpaid checks (a) Ghazi autos 1,200 (b) Rahil Bros 18,500 (c) Akmal 2,000	(i) Not appear 115,250	Balance 118,068
	(iv) Excise duty 200		(ii) Uncredited Check 75850
	(v) Bank charges 1,200		
	(vi) Charged Commission 800		

**M/S Universal trading Company
Bank Reconciliation Statement
As on December 31st, 2007**

Balance as per Cash Book	(Dr)		Rs. 102,568
Add:			
(i) Not appeared Check			115,250
			217,818
Less:			
(iii) Unpaid checks:			
(a) Ghazi autos		1,200	
(b) Rahil Bros		18,500	
(c) Akmal		2,000	
(iv) Excise duty		200	
(v) Bank charges		1,200	
(vi) Charged commission		800	
(ii) Uncredited check		75,850	(99,750)
Balance as per Bank Statement	(Cr)		Rs. 118,068

Question 25

From the following information, prepare a bank reconciliation statement as at 31stDecember, 2017 for Messrs. New Steel limited:

1	Bank overdraft as per Cash book on 31 st December, 2017	22,45,900
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2	Interest debited by bank on 26 th December, 2017 but no advance received	2,78,700
3	Cheque issued before 31 st December, 2017 but not yet presented to bank	6,60,000
4	Transport subsidy received from the state government directly by the bank but not advised to the company	14,25,000
5	Draft deposited in the bank, but not credited till 31 st December, 2017	13,50,000
6	Bills for collection credited by the bank till 31 st December, 2017 but no advice received by the company	8,36,000
7	Amount wrongly debited to company account by the bank, for which no details are available	7,40,000

Solution:

Overdraft as per cash Book		22,45,900
Add:		
2. Interest charged by the bank	2,78,700	
5. Draft deposited in bank but not yet credited	13,50,000	
7. Wrong debit by the bank, under verification	7,40,000	23,68,700
		46,14,600
Less:		
3. Cheque issued but not yet presented	6,60,000	
4. Transport subsidy not yet recorded in the cash book	14,25,000	
	8,36,000	29,21,000
6. Bills for collection credited in the bank not yet entered in the cash book		16,93,600
Overdraft as per bank statement		

Question 26

On 31st March 2017, the Bank Pass Book of Namrata showed a balance of

1,50,000 to her credit while balance as per cash book was 1,12,050.

On scrutiny of the two books, she ascertained the following causes of difference:

- She has issued cheques amounting to 80,000 out of which only 32,000 were presented for payment.

- ii. She received a cheque of 5,000 which she recorded in her cash book but forgot to deposit in the bank.
- iii. A cheque of 22,000 deposited by her has not been cleared yet.
- iv. Mr. Gupta deposited an amount of 15,700 in her bank which has not been recorded by her in cash book yet.
- v. Bank has credited an interest of 1,500 while charging 250 as bank charges.

Prepare a bank reconciliation statement

Solution:

Bank Reconciliation Statement

As on 31st March 2017

Particulars	Details	Amount
Balance as per pass book (Cr.)		1,50,000
Add: Cheque deposited but not yet cleared	22,000	
Add: Cheque recorded in cash book but not yet deposited	5,000 250	
Add: Bank Charges debited by bank	(48,000)	
Less: Cheque issued but not yet presented	(15,700)	
Less: Amount deposited but not recorded in cash book	(1,500)	(65,200)
Less: Interest allowed by bank		112050
Balance as per cash book		

Question 27

Credit balance as per cash book is Rs. 25,800. Prepare BRS as on 31st December 2004.

- i. One cheque of Rs. 1000 deposited and cleared during December entered twice in cash – book
- ii. One cheque of Rs. 3000 issued and presented during December wrongly entered on receipts side of cash book.
- iii. Bearer cheque of Rs. 500 which was issued and presented during December, was wrongly entered in cash column of cash book
- iv. Bearer cheque of Rs. Rs. 2000 which was issued but not presented during December was wrongly entered in the cash column of cash book.

Solution:

Bank Reconciliation Statement

As on 31st December 2004

Balance as per cash Book (Overdraft)	25,800
Less cheque of Rs. 1000 recorded twice in CB	1000
Less Cheque issued but entered but entered on receipt side (Rs. 3000 X 2)	6000
Less cheque issued but wrongly entered in cash	500
Wrong Column of cash book	2000
Overdraft as per pass Book	33300

Question 28

From the following particulars of Anil & Co. prepare a bank reconciliation statement as on August 31, 2005

- i. Balance as per the cash book Rs. 54,000**
- ii. Rs. 100 bank incidental charges debited to Anil & Co. account, which is not recorded in cash book.**
- iii. Cheques for Rs. 5,400 is deposited in the bank but not yet collected by the bank.**
- iv. A Cheque for Rs. 20,000 is issued by Anil & Co. not presented for payment.**

Solution:

Bank Reconciliation statement

As at 31st August, 2005

	Particulars	(+) Amount Rs.	(-) Amount Rs.
1	Balance as per cash book	54,000	
2	Cheques 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 pass book		68,500
		74,000	74,000

Question 29

On march 31, 2005 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:

- i. Cheques received and recorded in the cash book but not sent to the bank of collection Rs. 12,400
- ii. Payment received from a customer directly by the bank Rs. 27,300 but no entry.
- iii. Cheques issued For Rs. 1,75,200 not presented for payment.
- iv. interest of Rs. 8,800 charged by the bank was not entered in cash book.

Prepare bank reconciliation statement

Solution:

Bank Reconciliation statement
as at 31st March, 2005

	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	Balance as per the pass book (Favorable Balance)		63,200
	Total	2,02,500	2,02,500

Question 30

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

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

	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	
	Total	26,500	26,500

Question 31

From the following particulars, prepare a bank reconciliation statement for Jindal offset ltd.

- i. Balance as per cash book is 2,40,000
- ii. Cheques issued but not presented in the bank amounts to – 1,36,000
- iii. Cheques deposited in bank but not yet cleared amounts to 90,000
- iv. Bank charges amounts to 300
- v. Interest credited by bank amount to 1,250
- vi. The balance as per pass book is 2,86,950

Solution:**Bank Reconciliation statement**

Particulars	Amount
Balance as per cash book	2,40,000
Add: Cheque issued but not presented	1,36,000
Interest credited	1,250
Less: Cheque deposited but not yet cleared	90,000
Bank charges	300
Balance as per pass book	2,86,950

Question 32

From the following particulars ascertain the balance that would appear in the Bank Pass Book of A on 31st December, 2017.

- i. The bank overdraft as per Cash Book on 31st December, 2017 6,340.

- ii. Interest on overdraft for 6 months ending 31st December, 2017 160 is entered in Pass Book.
- iii. Bank charges of 400 are debited in the Pass Book only. Cheques issued but not cashed prior to 31st December, 2017, amounted to 11,68,000
- iv. Cheques paid into bank but not cleared before 31st December, 2017 were for 22,17,000
- v. Interest on investments collected by the bank and credited in the Pass Book 12,00,000

Solution:**Bank Reconciliation statement**As at 31st December, 2017

Particulars	Plus	Minus
Overdraft as per cash book		6,340
Interest debited in pass book but not vet in cash		160
Cheque issued but not yet presented	11,68,000	
Cheque issued but not vet credited by the Bank		22,17,000
Bank charges		400
Interest collected and credited by the bank in the book but not vet entered in cash book	12,00,000	
Overdraft as per pass book (23,68,000 – 22,23,900)	144100	
Total	22,23,900	22,23,900

Question 33

From the following particulars, prepare the bank reconciliation statement of shri Krishan as on march 31, 2005

- Balance as per passbook is Rs. 10,000
- Bank collected a cheque of Rs. 500 on behalf of shri Krishnan but wrongly credited it to Shri Krishnan's account
- Bank recorded a cash book deposited of Rs. 1,589 as Rs. 1,598
- Withdrawal column of the passbook under cast by Rs. 100
- The credit balance of Rs. 500 as on the pass – book was recorded in the debit balance
- The payment of a cheque of Rs. 350 was recorded twice in the passbook.

- The pass – book showed a credit balance. For a cheque, deposited by shri Krishnan for Rs. 100

Solution:**Bank Reconciliation statement**As at 31st March, 2005

	Particulars	Plus	Minus
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
	Total	13,850	13,850

Question 34

From the following particulars, prepare a bank reconciliation statement as on march 31, 2001

- Debit balance as per cash book is Rs. 10,000
- A cheque for Rs. 1,000 deposited but not recorded in the cash book.
- A cash deposit of Rs. 200 was recorded in the cash book if there is not bank, column therein.
- A cheque issued for Rs. 250 was recorded as Rs. 205 In the cash column
- The debit balance of Rs. 1,500 as on the previous day was brought forward as a credit balance.
- The payment side of the cash book was under cast by Rs. 100
- A cash discount allowed of Rs. 112 was recorded as Rs. 121 in the bank column
- A cheque of Rs. 500 received from a debtor was recorded in the cash book but not deposited in the bank for collection.
- One outgoing cheque of Rs. 300 was recorded twice in the cash book

Solution:**Bank Reconciliation statement**

For more Info Visit – www.KITest.in

As on September 30, 2004

	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

Question 35

When Nikki & Co. received a Bank Statement showing a favorable balance of 10,39,200 for the period ended on 30th June 2017, this did not agree with the Balance in the cash book.

An examination of the Cash Book and Bank Statement disclosed the following:

- 1. A deposit of 3,09,200 paid on 29th June, 2017 had not been credited by the Bank until 1st July, 2017.**
- 2. On 30th March, 2017 the company had entered into hire purchase agreement to pay by bank order a sum of 3,00,000 on the 10th of each month, commencing from April, 2017. No entries had been made in Cash Book.**
- 3. A customer of the firm, who received a cash discount of 4% on his account of 4,00,000 paid the firm a cheque on 12th June. The cashier erroneously entered the gross amount in the bank column of the Cash Book.**
- 4. Bank charges amounting to 3,000 had not been entered in Cash-Book.**

5. On 28th June, a customer of the company directly deposited the amount in the bank 4,00,000, but no entry had been made in the Cash Book.
6. 11,200 paid into the bank had been entered twice in the Cash Book.
7. A debit of 1100000 appeared in the Bank Statement for an unpaid cheque, which had been returned marked 'out of date'. The cheque had been re-dated by the customer and paid into Bank again on 5th July, 2017.

Prepare Bank Reconciliation Statement on 30 June, 2017

Solution:

**Bank Reconciliation statement
As on June 30, 2017**

Particulars	Details	Amount
Balance as per the pass Book		10,39,200
Add: Deposited with bank but not credited	3,09,200	
Payment of hire Purchase installments not entered in the cash Book. (3,00,000 X 3)	9,00,000	
Discount allowed wrongly entered in bank column	16,000	
Bank charges not entered in the cash book	3,000	
Deposit entered in the cash book twice	11,200	
Cheque returned 'out of date' entered in the cash	11,00,000	23,39,400
		33,78,600
Less: Direct deposit by customer not entered in the cash book		(4,00,000)
Balance as per the cash Book		29,78,600

Question 36

From the following information (as on 31.3.2017), prepare a bank reconciliation statement after making necessary amendments in the cash book:

Particulars	
Bank Balances as per the cash book (Dr.)	35,50,000
Cheques deposited, but not yet credited	44,75,000
Cheques issued but not yet presented for payment	35,62,000
Bank Charges debited by bank but not recorded in the cash book	12,500
Dividend directly collected by the bank	1,25,000
Insurance premium paid by bank as per standing instruction not	15,900

Cash sales wrongly recorded in the bank column of the cash – book	2,55,000
Customer's cheque dishonored by bank not recorded in the cash	1,30,000
Wrong credit given by the bank.	1,50,000

Also show the bank balance that will appear in the trial balance as on 31.3.2017

Solution:

Cash Book

As on 31.3. 2017 (After making necessary amendments)

Dr. Particulars	Amount	Particulars	Cr. Amount
To balance b/d	325000	By bank charges	12,500
To Dividend	125000	By Insurance premium	15,900
		By trade receivable (Cheque)	1,30,000
		By Cash A/c (Wrongly recorded)	2,55,000
		By balance c/d	29,61,600
	3,37,500		3,37,5000

Particulars	Details	Amount
Bank balance as per the cash book		29,61,600
Add: Cheques issued but not yet presented for payment	35,62,000	
Wrong credit given by bank	1,50,000	37,12,000
Less: Cheques deposited but not yet credited by bank		66,73,600
Balance as per the pass book		21,98,600

The bank balance of 29,61,600 will appear in the trial balance as on 31st March, 2017

Note: Cash Sales should have been recorded by passing

The following entry:

Cash A/c	Dr.	2,5500
To sales A/c		2,55,000

But it has been wrongly debited to Bank A/c so following rectification entry has been

Passed:

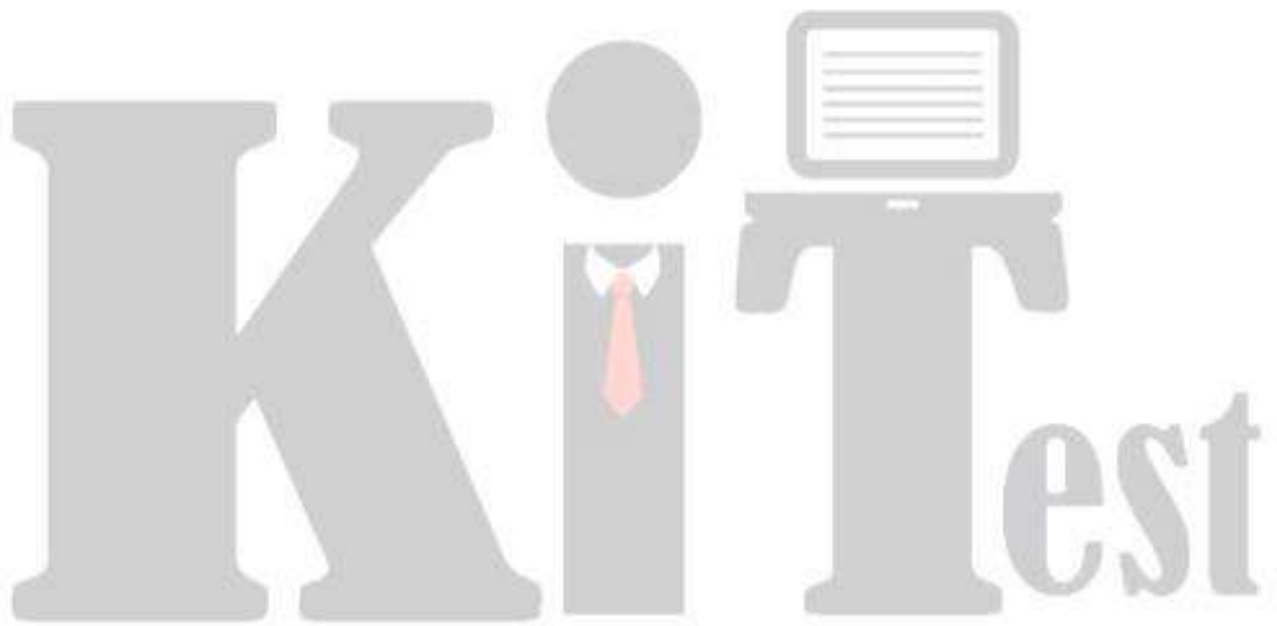
Cash A/c		2, 55,000
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For Enquiry – 6262969604

6262969699

To Bank A/c

2,55,000



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Past Examination Question

MAY 2018

Question 1

The bank pass book of Account No. 5678 of Mrs. Rani showed an overdraft of 33,575 on 31st March, 2018 on going through the pass book, the accountant found the following:

1. A cheque of Rs. 1,080 credited in the pass book on 28th March, 2018 being dishonored is debited again in the pass book on 1st April, 2018. There was no entry in the cash book about the dishonor of the cheque until 15th April, 2018
 2. Bankers had credited her account with Rs. 2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.
 3. Out of Rs. 20,500 paid by Mrs. Rani in cash and by cheques on 31st March, 2018 cheques amounting to Rs. 7,500 were collected on 7th April, 2018
 4. Out of cheques amounting to Rs. 7,800 drawn by her on 27th March, 2018 a cheque for Rs. 2,500 was encashed on 3rd April, 2018
 5. A cheque for Rs. 1,000 entered in cash book but omitted to be banked on 31st March, 2018
 6. A bill Receivable for Rs. 5,200 previously dishonored (Discount Rs. 200) with the bank had been dishonored but advice was received on 1st April, 2018
 7. A bill for Rs. 10,000 was retired / paid by the bank under a rebate of Rs. 175 but the full amount of the bill was credited in the bank column of the cash book.
 8. A cheque for Rs. 2,400 deposited into bank but omitted to be recorded in cash book and was collected by the bank on 31st March, 2018.
- Prepare a Bank Reconciliation statement as on 31st March, 2018

Bank Reconciliation statement
As on March 31, 2018

Bank balance (Debit i.e., overdraft) as pr bank pass book	33,575
(i) No Adjustment required as there would be no difference On 31.3.18	-
(ii) Add: No entry in Cash book for interest collection by bank	2,800
(iii) Less: Amount debited in cash book for pending cheques in collection but not credited in pass book	(7,500)
(iv) Add: Cheque credited in cash book but not debited in pass book	2,500
Add: Reversal of wrong credit	500
Less: Reversal of wrong debit	(300)
(vi) Less: Cheque of 1,0000 entered in cash book but omitted to be banked	(1,000)
(vii) Less: Discount dishonored but no entry in cash book	(5,200)
(viii) Add: Rebate on bill retired not entered in cash book	175
(ix) Add: Cheques deposited in bank not yet recorded in cash book.	2,400
Balance (Cr. i.e., overdraft) as per cash book	27,950

Note: A cheque of 1,080 credited in pass book on 28th March, 2018 and later debited in pass book on 1st April, 2018 has no effect on bank reconciliation statement as at 31st March, 2018

NOVEMBER 2018

Question 2

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

Particulars	(₹)
Debit balance as per bank column of the cash bank book.	18,60,000
Cheque issued to creditors but not yet presented to the bank for payment	3,60,000
Dividend received by the bank but not entered in the cash book	2,50,000
Interest allowed by the bank	6,250
Cheque deposited into bank but not yet collected	7,70,000

Bank charges not entered in cash book	1,000
A cheque deposited into bank was dishonored, but no intimation received	1,60,000
Bank paid house tax on our behalf, but no intimation received	1,75,000

**Bank Reconciliation statement
As on March 31, 2018**

Particulars	Details	Amount
Debit balance as per cash Book		18,60,000
Add: Cheque issued but not yet presented to bank for payment	3,60,000	
Dividend received by bank not entered in	2,50,000	
Interest Credited by bank	6,250	6,16,250
		24,76,250
Less: Cheques deposited into bank but not yet collected	7,70,000	
Bank charges debited by bank	1,000	
cheque deposited into bank was dishonoured	1,60,000	
	1,75,000	
House tax paid by bank		(11,06,000)
Credit balance as per pass book		13,70,250

MAY 2019

Question 3

Prepare the Bank Reconciliation Statement of? m/s. R.K. Brothers on 30 June 2018 from the particulars given below:

- i. The Bank Pass Book had a debit balance of 25,000 on 30 June, 2018
- ii. A cheque worth, 400 directly deposited into Bank by a customer but no.
- iii. entry was made in the Cash Book
- iv. Out of cheques issued worth 34,000, cheques amounting to t 20,000 only were presented for payment till 30th June, 2018.
- v. A cheque for f 4,000 received and entered in the Cash Book but it was not sent to the Bank.
- vi. Cheques worth 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under:
 - Cheques collected before 30th June, 2018 rs.14,000.
 - Cheques collected on 10th July, 2018, rs.4,000.
 - Cheques collected on 12th July, 2018 rs. 2,000.
- vii. The Bank made a direct payment of the 600 which was not recorded in the Cash Book.
- viii. Interest on Overdraft charged by the bank 1,600 was not recorded in the Cash Book.
- ix. Bank charges worth" 80 have been entered twice in the cash book whereas Insurance charges for rs.70 directly paid by Bank were not at all entered in the Cash Book.
- x. The credit side of bank column of Cash Book was under cast by 2,000.

Particulars	Plus	Minus
Debit balance as per bank pass book'		25 000
Add: - Cheque received and entered in Cash book but not sent to bank	4,000	-
Add: - Cheques sent to bank for collection but not yet collected	6,000	-
		-
Add: - Direct payment made by bank not recorded in the cash book	600	-
Add: - Interest on overdraft not recorded in cash book	1,600	

Add: - Insurance charges paid direct by bank	70	-
Add: - Credit side of bank column cash book under cast		400
Less: - Cheque directly deposited into bank	2,000	
Less: - Cheque issued but not yet presented for payment	-	14,000
	-	80
	25,210	
	39,480	39,480

Nov 2019

Question 4

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

- i. A cheque for 1114000 deposited on 20th September, 2018 was credited by the bank only on 3rd October, 2018.**
- ii. A payment by cheque for * 18,000 has been entered twice in the Cash book.**
- iii. On 29th September, 2018, the bank credited an amount received from a customer of XYZ until 1st October, 2018. of 1,15,400**
- iv. Bank charges amounting to 280 had not been entered in the cash book.**
- v. On 6th September 2018, the bank credited 30,000 to XYZ in error.**
- vi. A bill of exchange of {1,60,000 was discounted by XYZ with his bank. The bill was dishonored on 28th September, 2018 but no entry had been made in the books of XYZ.**
- vii. Cheques issued up to 30th September, 2018 but not presented for**

payment up to that date totaled 1346000

- viii. A bill payable of 2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for 60,000 had been discounted with the bank at a cost of 1,000 which had also not been recorded in cash book.

You are required to show the appropriate rectifications required in the cash book of XYZ, to arrive at the correct balance on 30th September, 2018 and to prepare a Bank Reconciliation statement as on that date. [10 marks]

Solution:

In the books of XYZ
Adjusted Cash Book (Bank column Only)

Date	Particulars	Amt	Date	Particulars	Amt
2018 Sept. 30	To Party A/c	18,000	2018	By Balance b/d	8,062
	To Customer's A/c (Direct Deposit)	1,15,400	Sept. 30	By Bank charges	280
	To Bills Receivable A/c (Rs. 60,000 – Rs. 1,0000)	59,000		By Customer's A/c (Bill Dishonored)	1,60,000
		<u>1,75,942</u>		By Bills Payable A/c	<u>2,00,000</u>
	TO Balance c/d	3,68,342			3,68,342

Particulars	Rs.
Balance as per Cash Book (Cr.) (Overdraft)	1,75,942
Add: Cheques deposited but not credited	11,14,000
	12,89,942
Less- Incorrect credit by bank (30,000)	
Cheques issued but not presented 13,46,000	<u>(13,76,000)</u>
	86,058
Balance as per pass Book (Cr.) (Favorable)	

Question 5

On 30th September, 2017, the bank account of X, according to the bank column of the Cash- Book, was overdrawn to the extent of 4,062.

On the same date the bank statement showed a debit balance of Rs. 20,758 in favour of X.

An examination of the Cash Book and Bank Statement reveals the following:

- i. A cheque for Rs. 1314000 deposited on 29th September, 2017 was credited by the bank only on 3rd October, 2017
- ii. A payment by cheque for `16,000 has been entered twice in the Cash Book.
- iii. On 29th September, 2017, the bank credited an amount of 1,17,400 received from a customer of X, but the advice was not received by X until 1st October, 2017.
- iv. Bank charges amounting to 580 had not been entered in the Cash Book.
- v. On 6th September, 2017, the bank credited 20,000 to X in error.
- vi. bill of exchange for 1,40,000 was discounted by X with his bank. This bill was A dishonored on 28th September, 2017 but no entry had been made in the books of X.
- vii. Cheques issued up to 30th September, 2017 but not presented for repayment up to that date to Called 1326000

You are required: to show the appropriate rectifications required in the Cash Book of X, to arrive at the correct balance on 30th September, 2017 and to prepare a bank reconciliation statement as on that date.

Solution:

A Phillip Cash Book

Bank Reconciliation statement
as at 30thDecember, 2017

Particulars	Amount
Balance per cash book	2,97,410
Add: Cheques yet presented	6,30,000
	9,27,410
Deduct: Lodgment not yet recorded by bank	2,50,000
	6,77,410
Deduct: Cheque wrongly charged	27,000

Balanced as per the bank statement	6,50,410
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JAN 2021

Question 6

Preparing a Bank Reconciliation Statement from the following particulars as on 31st December 2020:

Particulars	Rs.
Bank balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31 st December 2020 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured Entry for dishonour made in the Cash Book	5,000
Instruction for payment given to the bank on 31 st December, 2020 but the same effected by the Bank on 01 st January 2021	4,000

Answer:

Bank Reconciliation statement of..... as on 31.12.2020

Particulars	Amount Rs.	Amount Rs.
Favourable balance of the cash book		1,98,000
Add:		
Received from debtors vide RTGS on 31 st Dec 2020 not recorded in cash Book	1,00,000	
Cheque issued but not presented for payment	45,000	1,45,000
		3,43,000
Less:		
Bank charges debited by the bank not recorded in cash book	34,000	
Cheque deposited but not cleared	25,000	
Cheques deposited and dishonoured but the dishonest entry not made in cash book	5,000	64,000
Favourable balance of cash book		2,79,000

Note: There will be no difference in balance of cash book and passbook because of the last point. so, it not appears in BRS.

DEC 2021

Question 1

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

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

You are required:

To make the appropriate adjustments in the cash book, and

To prepare a statement reconciling it with the bank pass book. (10 Marks)

Answer:

In the Books of G Cash Book (Bank Column)

Receipts		Payments	
To Balance b/d	4,45,000	By Insurance premium A/c	2,700
To Dividend A/c	4,000	By Correction of errors	500
To Rent A/c	60,000	By Bank charges	150
To Bill receivable A/c	5,900	By Bill payable	20,000
		By Balance c/d	4,91,550
	5,14,900		5,14,900

Bank Reconciliation Statement as on 30th June, 2021

Adjusted balance as per cash book	4,91,550

Add: Cheques issued but not presented for payment till 30th June, 2021	60,000
Less: Cheques paid into bank for collection but not collected till 30th June, 2021	(55,500)
Balance as per pass book	4,96,050

JUNE 2022

Question 1

From the following particulars, prepare a Bank Reconciliation Statement on 31st March 2021.

Particulars	Amount (₹)
Bank balance as per Pass Book	25,00,000
Bills discounted dishonored not recorded in Cash Book	12,50,000
Cheque received entered twice in Cash Book	25,000
Bank charges entered twice in Cash Book	5,000
Insurance premium paid directly by Bank under-standing instruction	1,50,000
Cheque issued but not presented to Bank for payment	12,50,000
Cheque received, but not sent to Bank	28,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	12,50,000
Credit side of the Bank column cast short	5,000

Answer:

Bank Reconciliation Statement as on 31st March, 2021

Particulars	Amount	Amount
Bank balance as per Pass book		25,00,000
Add: Bills dishonoured not recorded in the cash book	12,50,000	
Cheque received entered twice in the cash book	25,000	
Insurance premium paid directly not recorded in the cash book	1,50,000	
Cheque received but not sent to the bank	28,00,000	
Credit side of the bank column cast short	5,000	42,30,000
		67,30,000
Less: Cheque deposited into the bank but no entry was passed in the cash book	12,50,000	
Bank charges recorded twice in the cash book	5,000	
Cheque issued but not presented to the bank	12,50,000	(25,05,000)
Bank balance as per Cash book		42,25,000