
Chapter - Bank Reconciliation Statement

Note Title

6/21/2022

Every business needs a Bank A/C to operate . A Number of transactions in the business related to receipts from customers , payments to suppliers , payments of expenses etc. are passed through bank account. Hence, transactions taking place through bank accounts become a very important aspect in accounting to be recorded for for the Accountholder and the Bank.

The businessman records all these transactions in a Cash Book [Bank column] . The Bank, on the other hand , prepares a pass book [also known as bank statement] for giving the same effects in it's books.

In Case of Deposits = Cash Book [Bank column] = Debited
Pass Book = Credited

**In Case of withdrawals = Cash Book [Bank column] = Credited
Pass Book = Debited**

Considering this Scenario , the Cash book [Bank column] balance and pass book balance after every transaction Should be of the :-

" Equal Amounts & Opposite Natures"

But due to errors in recording these entries or due to timing differences , the balances in these books get mismatched . Following can be the Reasons for differences :-

- (i) Cheques issued but not presented for payment .
- (ii) Cheque deposited in the Bank but not cleared.
- (iii) Interest allowed by Bank.
- (iv) Interest and Dividend collected by Bank.
- (v) Interest and other charges by Bank.
- (vi) Direct payments by the Bank.
- (vii) Direct payments into the Bank by the customers.
- (viii) Dishonor of a bill discounted with the Bank.

A Statement prepared to reconcile the mismatched "balances" of Cash book [Bank column] and Pass book on any given particular date is known as "BRS".

In BRS either Cash book balance is adjusted to Pass book balance or Vice - versa .

GOLDEN WORDS :- "BRS is a separate statement in which Balances of Cash book / Pass book are adjusted.No adjustment is made in Cash book [except in case of adjusted cash book] and pass book itself" .

Formats : - A:-

In the Books of M/S ABC
Bank Reconciliation Statement
as on -----

Particulars	Plus items	Minus items
Balance as per Cash Book Dr./Cr.		
Adjustments :-		

.		
.		
.		
.		
= Balance as per Pass Book Dr./Cr.		

B :-

In the Book of M/S ABC
Bank Reconciliation Statement
as on -----

Particulars

Plus items

Minus items

Balance as per Pass Book Dr./Cr.

Adjustments :-

.
.
.
.
.

= Balance as per Cash Book Dr. / Cr.

In any Format ,

The "Plus items" column denotes favourable condition to the Accountholder and "Minus items" Column denotes unfavourable condition to the Accountholder.

Dr. Balance as per Cash Book = Favourable = Cr. Balance as per Pass book

Cr. Balance as per Cash Book = Unfavourable = Dr. balance as per Pass book

NOTE :- (i) Unfavourable balance is also known as Overdraft Balance .

(ii) If Q. Silent, assume Favourable position.

****The Short-cut tricks for exam :-

a) Cash Book Pass Book
 ----- -----
 Already + No entry
Options = - or +
Choose = As directed by the question.

b) Cash Book Pass Book
 ----- -----
 No entry Already +
Options = + or -
Choose = As directed by the question.

c) Cash Book Pass Book
 ----- -----
 Already - No entry
Options = + or -
Choose = As directed by the question.

d) Cash Book Pass Book
 ----- -----
 No Entry Already -
Options = - or +
Choose = As Directed by the question.

(i) Cheque issued But not presented In the Bank for Payment :-

A Cheques has been given to the creditor and amount deducted from Cash Book .

But due to any reason, the creditor has not taken that cheque to his bank for clearance, therefore no deductions has been made in our pass Book.

	CB		PB
	Already -		No Entry
Options =	+	or	-

(ii) Cheque deposited in the Bank but not cleared :-

A Cheque has been received from a debtor and also deposited in the Bank . At the time of deposit of cheque in the Bank , the Amount has been added in the cash book. But the cheque is yet in clearance and therefore no additions are made in pass book.

	CB		PB
	Already +		No Entry
Options =	-	or	+

(iii) Interest allowed by the Bank :- Interest on the amount remained deposited in the Bank account is Credited by the bank to our Bank account . Therefore amount has been added to the pass book. But No additions are made here in our Cash Book.

	CB		PB
	No Entry		Already +
Options =	+	or	-

(iv) Interest and dividend Collected by Bank :-

The amount of interest from our Investee has been received by the Bank.

Or The amount of dividend on shares purchased has been received by the Bank .

and Additions are made in the pass book therefore.

	CB		PB
	No Entry		Already +
Options =	+	or	-

(v) Interest and Other Charges by Bank :-

Bank has deducted certain amount from our account and effect given in pass Book but no entry has been made in Cash Book .

	CB		PB
	No Entry		Already -
Options =	-	or	+

(vi) Direct Payments by the Bank : -

Bank has made some payments from our account [as per our directions only] and effect given in Pass Book but no entry made in Cash Book .

	CB		PB
	No Entry		Already -
Options =	-	or	+

(vii) Direct payments into the Bank by the customers :-

The Customers have deposited some amount in our Bank account and hence Pass book is added up by the Bank. But No intimation is available with accountholder yet , hence no additions are made in the Cash book.

	CB		PB
	No Entry		Already +
Options =	+	or	-

(viii) Dishonor of a bill discounted with the Bank :-

When a bill of exchange is cleared with the Bank before the due date , then it is called discounting of the bill. If such discounted bill doesnt get paid to the bank on due date, it is called dishonor of a bill discounted with the Bank. In such a case, bank deducts the concerned amount from the account of the person who got the bill discounted from Bank .

	CB		PB
	No Entry		Already -
Options =	-	or	+

Topic :- Adjusted Cash Book :-

If the business has a Policy of preparing BRS annually at the end of particular financial period . In such a case, The Cash Book can be adjusted first to the extent it is logical and possible . Later then , BRS is prepared.

In this case, BRS Will contain only those items pending to be reconciled on behalf of the Bank only .

Question-1

On 31st March 2019, 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:

- i) 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 : -

Namrata
Bank Reconciliation Statement
as on 31.3.2019

Particulars	Plus Items (+)	Minus
Items (-)		
Balance as per Pass Book (Cr.)	1,50,000	
Cheques issued but not presented		48,000
Cheques received but not deposited	5,000	
Cheque deposited but not cleared	22,000	
Deposit not recorded in cash book		15,700
Interest credited in pass book only		1,500
Bank charges not entered in cash book	250	
	TOTAL	1,77,250
65,200		
= Balance as per Cash Book (Dr.)	1,12,050	

Question-2

From the following particulars ascertain the balance that would appear in the Bank Pass Book of A on 31st December, 2019.

- (1) The bank overdraft as per Cash Book on 31st December, 2019 ` 6,340.
- (2) Interest on overdraft for 6 months ending 31st December, 2019 ` 160 is entered in Pass Book.
- (3) Bank charges of ` 400 are debited in the Pass Book only.
- (4) Cheques issued but not cashed prior to 31st December, 2019, amounted to ` 11,68,000.
- (5) Cheques paid into bank but not cleared before 31st December, 2019 were for ` 22,17,000.
- (6) Interest on investments collected by the bank and credited in the Pass Book ` 12,00,000

Solution : -

A
Bank Reconciliation Statement
as on 31.12.2019

Particulars	Plus Items (+)	Minus Items (-)
Balance as per Cash Book (Cr.)		6,340
Interest On Overdraft		160
Bank Charges debited in Pass book only		400
Cheque issued but not cashed	11,68,000	
Cheque paid but not cleared		22,17,000
Interest on Investments	12,00,000	
	TOTAL	23,68,000
22,23,900		
= Balance as per Pass Book (Cr.)	1,44,100	

Question-3

On 30th September, 2019, 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 credit balance of ` 20,758 in favour of X. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ` 13,14,000 deposited on 29th September, 2019 was credited by the bank only on 3rd October, 2019.
2. A payment by cheque for ` 16,000 has been entered twice in the Cash Book.
3. On 29th September, 2019, 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, 2019.
4. Bank charges amounting to ` 580 had not been entered in the Cash Book.
5. On 6th September, 2019, the bank credited ` 20,000 to X in error.
6. A bill of exchange for ` 1,40,000 was discounted by X with his bank. This bill was dishonoured on 28th September, 2019 but no entry had been made in the books of X.
7. Cheques issued upto 30th September, 2019 but not presented for payment upto that date totalled ` 13,26,000.

You are required :

- (a) to show the appropriate rectifications required in the Cash Book of X, to arrive at the correct balance on 30th September, 2019 and
- (b) to prepare a bank reconciliation statement as on that date.

SOLUTION

(a)		Cash Book (Bank Column)			
Date	Particulars	Amount	Date	Particulars	Amount
2019			2019		
Sept. 30	To Party A/c	16,000	Sept. 30	By Balance b/d	4,062
	To Customer A/c			By Bank charges	580
	(Direct deposit)	1,17,400		By Customer A/c	
	To Balance c/d	11,242		(B/R dishonoured)	1,40,000
	Total	1,44,642		Total	1,44,642

(b) Bank Reconciliation Statement as on 30th September, 2019			
Particulars		Plus	Minus
Overdraft as per Cash Book			11,242
Cheque deposited but not collected upto 30th September, 2019			13,14,000
Cheques issued but not presented for payment upto 30th September, 2019	13,26,000		
Credit by Bank erroneously on 6th September	20,000		
Balance as per pass book Cr.	20,758		

Question-4

On 30th December, 2019 the bank column of A. Philip's cash book showed a debit balance of ` 4,610. On examination of the cash book and bank statement you find that:

1. Cheques amounting to ` 6,30,000 which were issued to trade payables and entered in the cash book before 30th December, 2019 were not presented for payment until that date.
2. Cheques amounting to ` 2,50,000 had been recorded in the cash book as having been paid into the bank on 30th December, 2019, but were entered in the bank statement on 1st January, 2020.
3. A cheque for ` 73,000 had been dishonoured prior to 30th December, 2019, but no record of this fact appeared in the cash book.
4. A dividend of ` 3,80,000, paid direct to the bank had not been recorded in the cash book.
5. Bank interest and charges amounting to ` 4,200 had been charged in the bank statement but not entered in the cash book.
6. No entry had been made in the cash book for a trade subscription of ` 10,000 paid vide banker's order in November, 2019.
7. A cheque for ` 27,000 drawn by B. Philip had been charged to A. Philip's bank account by mistake in December, 2019.

You are required:

- (a) to make appropriate adjustments in the cash book bringing down the correct balance, and
- (b) to prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement.

Question-5

The Cash Book of Mr. Gadbadwala shows ` 8,36,400 as the balance at Bank as on 31st December, 2019, but you find that it does not agree with the balance as per the Bank Pass Book. On scrutiny, you find the following discrepancies:

- (1) On 15th December, 2019 the payment side of the Cash Book was undercast by ` 10,000.
- (2) A cheque for ` 1,31,000 issued on 25th December, 2019 was not taken in the bank column.
- (3) One deposit of ` 1,50,000 was recorded in the Cash Book as if there is no bank column therein.
- (4) On 18th December, 2019 the debit balance of ` 15,260 as on the previous day, was brought forward as credit balance.
- (5) Of the total cheques amounting to ` 11,514 drawn in the last week of December, 2019, cheques aggregating ` 7,815 were encashed in December.
- (6) Dividends of ` 25,000 collected by the Bank and subscription of ` 1,000 paid by it were not recorded in the Cash Book.
- (7) One out-going Cheque of 3,50,000 was recorded twice in the Cash Book. Prepare a Reconciliation Statement.

Solution : -

A
Bank Reconciliation Statement
as on 31.12.2019

Particulars	Plus Items (+)	Minus
Items (-)		
Balance as per Cash Book (Dr.)	8,36,400	
Payment side Undercast		10,000
Cheque issued but not recorded		1,31,000
Deposit not recorded in Bank column	1,50,000	
Debit c/f as credit	30,520	
Cheque drawn but not encashed	3,699	
Dividend collected by Bank	25,000	
Subscription paid by bank		
1,000		
Cheque issued recorded twice in CB	3,50,000	
	TOTAL	13,95,619
1,42,000		

Q.6 The following are the cash book [Bank column] and Pass Book of Jain for the months of March 19 and April 19 :-

Cash Book [Bank Column only]

Date	Particulars	Amount (Dr.)	Date	Particulars	Amount (Cr.)
1/3/19	To balance b/d	60,000	3/3/19	By cash	2,00,000
6/3/19	To Sales A/C	3,00,000	7/3/19	By Modi	60,000
10/3/19	To Ram	65,000	12/3/19	By Patil	30,000
18/3/19	To Singhal	2,70,000	18/3/19	By Suresh	40,000
25/3/19	To Goyal	33,000	24/3/19	By Ramesh	1,50,000
31/3/19	To Patel	65,000	30/3/19	By balance c/d	3,13,000
		7,93,000			7,93,000

Pass Book

Date	Particulars	Amount (Dr.)	Amount (Cr.)	Dr. or Cr.	Balance
1/4/19	By balance b/d	-	3,65,000	Cr.	3,65,000
3/4/19	By Goyal	-	33,000	Cr.	3,98,000
5/4/19	By Patel	-	65,000	Cr.	4,63,000
7/4/19	To Naresh	2,80,000	-	Cr.	1,83,000
12/4/19	To Ramesh	1,50,000	-	Cr.	33,000
15/4/19	To Bank Charges	200	-	Cr.	32,800
20/4/19	By Usha	-	17,000	Cr.	49,800
25/4/19	By Kalpana	-	38,000	Cr.	87,800
30/4/19	To sunil	6,200	-	Cr.	81,600

Reconcile Balance of Cash book on 31/3/19.

SOLUTION

Solution:

Bank Reconciliation Statement as on 31st March, 2019

Particulars	Minus	Plus
Balance as per the Cash Book Dr.		3,13,000
Add : Cheque issued but not presented for payment		1,50,000
Less : Cheque deposited but not credited by Bank		33,000
Less : Cheque deposited but not credited by Bank		65,000
Balance as per the Pass Book Cr.		3,65,000

Question-7

When Nikki & Co. received a Bank Statement showing a favourable balance of ` 10,39,200 for the period ended on 30th June, 2019, 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, 2019 had not been credited by the Bank until 1st July, 2019.
2. On 30th March, 2019 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, 2019. 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 ` 11,00,000 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, 2019.

Prepare Bank Reconciliation Statement on 30 June, 2019.

Solution : -

Nikki & Co.
Bank Reconciliation Statement
as on 30.06.2019

Particulars	Plus Items (+)	Minus Items (-)
Balance as per Pass Book (Cr.)	10,39,200	
Deposit not entered by Bank	3,09,200	
Hire Purchase Installments paid	9,00,000	
Discount allowed to customer	16,000	
Bank charges	3,000	
Direct Deposit in the Bank		4,00,000
Deposit entered twice in cash book	11,200	
Cheque Returned out of date entered in CB	11,00,000	
	TOTAL 33,78,600	4,00,000
= Balance as per Cash Book (Dr.)	29,78,600	

Question-8

According to the cash-book of Gopi, there was a balance of ` 44,50,000 in his bank on 30th June, 2019. On investigation you find that :

- (i) Cheques amounting to ` 6,00,000 issued to creditors have not been presented for payment till the date.
- (ii) Cheques paid into bank amounting to ` 11,05,000 out of which cheques amounting to ` 5,50,000 only collected by the bank up to 30th June 2019.
- (iii) A dividend of ` 40,000 and rent amounting to ` 6,00,000 received by the bank and entered in the pass-book but not recorded in the cash book.
- (iv) Insurance premium (up to 31st December, 2019) paid by the bank ` 27,000 not entered in the cash book.
- (v) The payment side of the cash book had been under casted by ` 5,000.
- (vi) Bank charges ` 1,500 shown in the pass book had not been entered in the cash book.
- (vii) 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.

Required:

- (a) to make the appropriate adjustments in the cash book, and
- (b) to prepare a statement reconciling it with the bank pass book.

Solution:

Cash Book (Bank Column)

Receipts	Amount	Payments `	Amount
To Balance b/d	44,50,000	By Insurance premium A/c	27,000
To Dividend A/c	40,000	By Correction of errors	5,000
To Rent A/c	6,00,000	By Bank charges	1,500
To Bill receivable A/c	59,000	By Bill payable	2,00,000
		By Balance c/d	49,15,500
Total	51,49,000	Total	51,49,000

Bank Reconciliation Statement
as on 30th June, 2019

	Amount
Adjusted balance as per cash book (Dr.)	49,15,500
Add: Cheques issued but not presented for payment till 30th June, 2019	6,00,000
Less: Cheques paid into bank for collection but not collected till 30th June, 2019	(5,55,000)
Balance as per pass book	49,60,500

Question-9

Prepare a Bank Reconciliation Statement of Shri Hari as on 31st March, 2020:

- (i) Balance as per Pass Book is ` 10,000.
- (ii) Bank collected a cheque of ` 500 on behalf of Shri Hari but wrongly credited it to Shri Hari's Account (another customer of bank).
- (iii) Bank recorded a cash deposit of ` 1,589 as ` 1,598.
- (iv) Withdrawal column of the Pass Book undercast by ` 100.
- (v) The credit balance of ` 1,500 on page 5 was recorded on page 6 as debit balance.
- (vi) The payment of a cheque of ` 350 was recorded twice in the Pass Book.
- (vii) The Pass Book showed a credit for a cheque of ` 1,000 deposited by Shri Hari (another customer of the bank).

Solution : -

Shri Hari
Bank Reconciliation Statement
as on 31.3.2020

Particulars	Plus Items (+)	Minus Items
(-)		
Balance as per Pass Book (Cr.)	10,000	
Wrong credit to another customer's A/C	500	
Excess deposit recorded wrongly		9
Withdrawal column undercast		100
Credit c/f as Debit in Pass book	3,000	
Payment recorded twice in Pass book	350	
Deposit by another customer credited in our A/C		1,000
	TOTAL 13,850	
1,109		
= Balance as per Cash Book (Dr.)	12,741	

Question-10

On 31st March, 2021 the pass-book of a trader showed a credit balance of ` 15,65,000 but the passbook balance was different for the following reasons from the cash book balance:

Cheques issued to 'X' for ` 60,000 and to 'Y' for ` 3,84,000 were not yet presented for payment.

Bank charged ` 350 for bank charges and 'Z' directly deposited ` 1,816 into the bank account, which were not entered in the cash book.

Two cheques-one from 'A' for ` 5,15,000 and another from 'B' for ` 12,500 were collected in the first week of April, 2021 although they were banked on 25.03.2021.

Interest allowed by bank ` 4,500.

Prepare a bank reconciliation statement as on 31st March, 2021.

Solution : -

Bank Reconciliation Statement
as on 31.3.2021

Particulars	Plus Items (+)	Minus Items
(-)		
Balance as per Pass Book (Cr.)	15,65,000	
Cheque issued but not presented		4,44,000
Bank charges	350	
Direct deposit by customer		1,816
Cheques collected in April 21 by bank	5,27,500	
Interest allowed by Bank		4,500
	TOTAL 20,92,850	
4,50,316 = Balance as per Cash Book (Dr.)	16,42,534	

Question-11

Prepare the Bank Reconciliation Statement of M/s. Singh Brothers on 30th June 2022 from the particulars given below:

(i) The Bank Pass Book had a debit balance of ` 75,000 on 30th June, 2022.

(ii) A cheque worth ` 1,200 directly deposited into Bank by customer but no entry was made in the Cash Book.

(iii) Out of cheques issued worth ` 1,02,000, cheques amounting to ` 60,000 only were presented for payment till 30th June, 2022.

(iv) A cheque for ` 12,000 received and entered in the Cash Book but it was not sent to the Bank.

(v) Cheques worth ` 60,000 had been sent to Bank for collection but the collection was reported by the Bank as under.

(1) Cheques collected before 30th June, 2022, ` 42,000

(2) Cheques collected on 10th July, 2022, ` 12,000

(3) Cheques collected on 12th July, 2022, ` 6,000.

(vi) The Bank made a direct payment of ` 1,800 which was not recorded in the Cash Book. (vii) Interest on Overdraft charged by the bank ` 4,800 was not recorded in the Cash Book.

(viii) Bank charges worth ` 240 have been entered twice in the cash book whereas Insurance charges for ` 210 directly paid by Bank was not at all entered in the Cash Book.

(ix) The credit side of bank column of Cash Book was under cast by ` 6,000.

(x) A bill for ` 3000(discounted with bank in May, 2022) dishonored on 30th June ,2022 and noting charges of Rs 100 paid by bank.

Solution : -

Bank Reconciliation Statement
as on 30.06.2022

Particulars	Plus Items (+)	Minus Items
(-)		
Balance as per Pass Book (Dr.)		75,000
Cheque directly deposited in Bank		1,200
Cheque issued but not presented		42,000
Cheque received not sent to Bank	12,000	
Cheque sent to Bank for collection	18,000	
Direct payment by Bank	1,800	
Interest on OD Charged by Bank	4,800	
Bank charges entered twice in CB		240
Insurance charges paid directly by Bank	210	
Cr. side of CB Cast short	6,000	
Bill dishonored and noting charges paid		3,100
	TOTAL	42,810
1,21,540		

