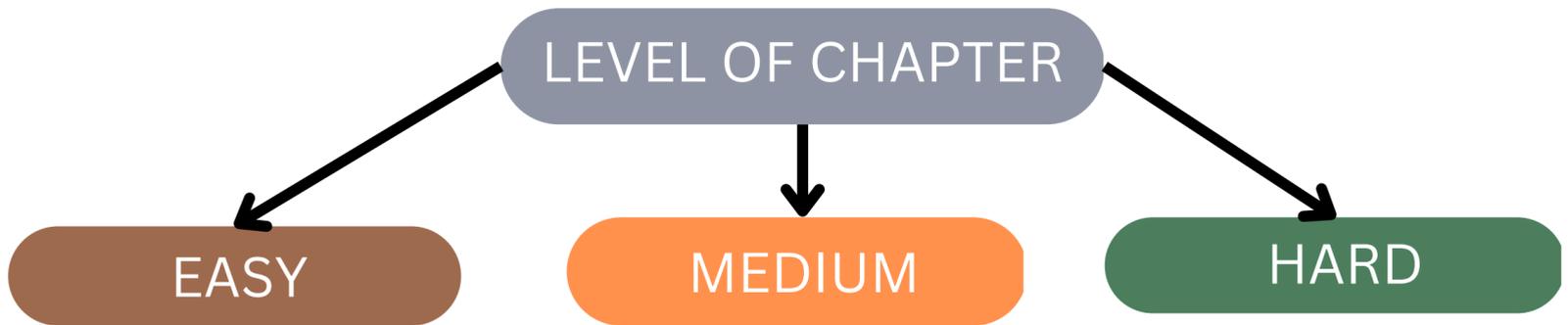


# BANK RECONCILIATION STATEMENT

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# Bank Reconciliation Statement

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 :- ----- .		
•		
•		
•		
<b>= Balance as per Pass Book Dr./Cr.</b>		

**Formats : -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 :- ----- . .		
•		
•		
•		
<b>= Balance as per Cash Book Dr. / Cr.</b>		

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 :-**

<b>a) Cash Book</b>	<b>Pass Book</b>
-----	-----
<b>Already</b>	<b>+ No entry</b>

<b>b) Cash Book</b>	<b>Pass Book</b>
-----	-----
<b>No entry</b>	<b>Already +</b>

Options = - or +

Options = + or -

Choose = As directed by the question.

Choose = As directed by the question.

<b>c) Cash Book</b>	<b>Pass Book</b>
-----	-----
<b>Already -</b>	<b>No entry</b>

<b>d) Cash Book</b>	<b>Pass Book</b>
-----	-----
<b>No Entry</b>	<b>Already -</b>

Options = + or -

Options = - or +

Choose = As directed by the question.

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 nodeductions has been made in our pass Book.

	<b>CB</b>		<b>PB</b>
	<b>Already -</b>		<b>No Entry</b>
Options =	<b>+</b>	<b>or</b>	<b>-</b>

**(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.

	<b>CB</b>		<b>PB</b>
	<b>Already +</b>		<b>No Entry</b>
Options =	<b>-</b>	<b>or</b>	<b>+</b>

**(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.

	<b>CB</b>		<b>PB</b>
	<b>No Entry</b>		<b>Already +</b>
Options =	<b>+</b>	<b>or</b>	<b>-</b>

**(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	+

## **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.**