

Chapter 9

Bank Reconciliation Statement

Learning Objectives :

After studying the chapter, you will find -

- What is Bank Reconciliation Statement ?
- Why is it necessary to prepare Bank Reconciliation Statement ?
- What is the process of preparing Bank Reconciliation Statement ?
- What are the causes of difference between Cash Book and Pass Book Balances ?
- How many methods are there to prepare Bank Reconciliation Statement?
- How is Bank Reconciliation Statement prepared on the basis of Adjusted Cash Book ?

Bank Reconciliation Statement :

In present days Bank services are very important for every Businessmen. Generally Businessmen maintain a current account in the bank for day to day transactions. The traders maintain two column or three column cash book having a bank column for entering bank transactions. Bank also opens a separate account for each customers or for each firm in its ledger and enters all the transactions in it. Periodically, bank supplies a copy of the firm's account in its ledger to the firm for information. The copy of the firm's account supplied by the bank is called Bank Pass Book or Bank Statement.

Meaning and Definition of Bank Reconciliation Statement :

Since all the transactions entered with the Bank are recorded in both the books, there should be no difference between the balance shown by the cash book and the pass book. The balance of these two books must tally with each other. But sometimes these two balances do not tally, some differences are found. The reason of these differences are not only the commitment of mistake but it may be on account of the fact that on certain date a few transactions were entered in passbook but not recorded in cash book. Similarly, some transactions are recorded in cash book but not entered in pass book. Thus there may be difference in two balances. As such it becomes necessary for the customer to find out the reasons for this difference. Therefore, a statement is prepared to identify the reasons for this difference and to reconcile the balances of two books. Such a statement is called Bank Reconciliation Statement.

According to **R.G. Williams**, “To reconcile the balance of customer's account shown by bank and balance of bank as revealed by customer's cash book, a statement is prepared called Bank Reconciliation Statement.”

According to **Carter**, “Bank Reconciliation Statement is a statement prepared to reconcile the difference between bank balance shown by Bank Statement and the balance of Bank Column of customer's cash book”

Need and Importance of Bank Reconciliation Statement :

Bank Reconciliation Statement should be prepared regularly so that the correctness of transactions entered by the bank in customer's account are known from time to time. This statement reveals all transactions entered by bank in customer's account and error, omission and fraud, if any may be disclosed. Many times bank may have written the transactions of other person or other firms in customer's account of

mistake. Similarly cashier of the customer might have shown cheques received deposited in bank but omitted to be banked or he might have received the payment of such cheques, which is embezzlement. In addition to this there may be several other reasons for which cashbook and passbook balances do not tally. Thus, Bank Reconciliation Statement should be prepared regularly so that detection of errors are possible and the same are reconciled. The need and importance of preparing Bank Reconciliation Statement may be understood as under—

- (i) Bank Reconciliation Statement locates the errors or omissions which might have been committed either by the customer or the bank.
- (ii) A bank reconciliation statement helps in revealing the unnecessary delay in the collection of cheques by the bank.
- (iii) Periodic and regular preparation of this statement reduces the chances of embezzlement by the staff of the firm and that of Bank.
- (iv) Management can know the correct balance of cash at bank.

Causes of Difference in Cash Book and Pass Book :

The difference between cash book and pass book balances on a certain date may be on account of following reasons—

1. **Timing :** Very often, there is a time gap between recording transaction by customer in cash book and by the bank in recording in Pass Book. For example, the customer deposited certain cheques in Bank for collection and entry is made in cash book on the debit side of bank column but bank will give credit to the customer only when these cheques are collected. Similarly, when businessmen issues a cheque for payment, he will enter the transaction in cash book on credit side of bank column, but bank will record this transaction only when cheque is presented for payment.
2. **Transactions :** Sometimes the difference between cash book and pass book balances may arise due to non recording transaction in cash book or in bank pass book. For example, Bank records many transactions without the knowledge of customer. Bank charges some charges some fee, the amount of interest and dividend collected and credited by bank, debiting customer's account for locker rent, transferring the amount of installment from current account to recurring deposit account or to loan installment account etc. Customer does not have information about these transactions but he will know only when he receives a bank statement of when entries are made in pass book.
3. **Errors :** These two balances may not tally due to some errors committed either by Bank or by the customer in recording transactions in Bank column of cash book. For example, Bank has entered other person's cheque in customer's account by mistake or error in carrying forward of balances or a transaction omitted to be recorded either by Bank or by the customer.

On account of errors and omissions committed in the above situations, the main reasons of difference between two balances may be as follows—

- (i) Cheques sent to Bank for collection but were not collected till the date of recording balances— When a firm receives cheques, drafts etc. from its customers they are deposited into bank for collection. An entry is made on the debit side of Bank column of the cash book. But the bank will credit firm's account only when it has actually collected the payment of these cheques from other banks. Local cheques are collected on the same day but it takes some time in collecting outstation cheques. On account of this balances of cash book and pass book show difference on some specific date.

- (ii) The firm has issued some cheques for payment but the same were not presented in the Bank for payment -

In present days most of the business transactions are done through banks. Most of the payments are made by cheques by a business. When a cheque is issued by the firm to a creditor, it is immediately recorded on the credit side of bank column of cash book. But Bank credit firm's account only when it is presented for payment. It is not necessary that related parties may present for payment on the same day in the bank. According to rules a cheque is valid for a period of 3 months from the date of issue. As such the receiver of cheque may present the cheque at any time during this period.

- (iii) Interest credited by Bank –

If a customer maintains savings bank account, bank allows interest on the deposit amount twice in a year (on September 30 and March 31), but the trader knows only when the information is received from Bank and only then he will pass entry in cash book on debit side in Bank column. Such information may be furnished by the Bank after sometime. During this period the two balances will be different.

- (iv) Interest charges by Bank –

Bank provides the facility of overdraft to its customers. Bank charges interest on overdraft which is debited in customer's account by the bank. But the trader will credit the bank only when the information about charging of interest is received. Thus there will be difference in the two balances during the period of charging interest and furnishing this information.

- (v) Bank provides some services to its customers for which it charges some account of fee which is debited by the bank in the account of trader and furnishes the information to the trader. While the trader will credit the bank only on receipt of information about the fee. During this period the two balances will differ.

- (vi) Direct payment made by Debtor's in trader's account –

Sometimes a customer may deposit the amount of his dues directly in trader's account but information about the same is not furnished to the trader. Bank credits the account of the trader with this amount and furnishes information to the trader. On receipt of information, the trader will make entry in cash book and debit the bank. During this period of depositing cash and receiving such information, the two balances will remain different.

- (vii) Direct payment made by bank standing instructions –

Sometimes an account holder gives a standing order to the Bank to make certain payments such as insurance premium, income tax, rent, water and electricity bills etc. on certain dates. On his behalf the bank makes these payments and debits the account of trader. But the firm will be able to enter the same in bank column of cash book on credit side, when intimation is received from Bank. In the intervening period the cash book will show an increased balance in comparison to passbook.

- (viii) Interest and Dividend collected by the Bank –

Sometimes trader gives order to the bank to collect the amount of interest and dividend on his investments. Bank enters this amount on credit side of trader's account from time to time as and when dividend on shares and interest on debentures are received. But the trader will make entry in the bank column of cash book only when he receives such information. Thus, during this intervening period the two balances will be different.

- (ix) Cheques paid into Bank for collection but dishonoured –

When the cheques received from outside parties are deposited with the Bank, these are immediately recorded on the debit side of bank column of cash book. If such cheques are dishonoured, bank will not make any entry on the credit side of customer account. As a result the cash book will show an increased balance in comparison to the passbook till information of dishonor is received by him.

- (x) Errors committed by Bank or Trader –

On account of errors committed in recording transactions by the Bank or by the trader, the two balances will differ. For example, the amount of cheques issued or deposited for collection by the trader may be recorded wrong either by the trader or by the bank, error in the balance carried forward, recording transaction on wrong side, omission in recording a transaction, bank may record other person's transaction in trader's account etc.

4. Ascertaining reasons of difference between Pass Book and Cash Book balances for preparation of Bank Reconciliation Statement –

When details of transactions recorded in Cash Book and Pass Book are available on a certain date and if difference in these two balances is found, reasons for the differences must be ascertained. For this purpose entries recorded in these two books are compared and differences are ascertained in the following manner -

- (a) To tally debit items recorded in Cash Book with credit items of pass book –

The items that are recorded on debit side (Bank Column) of cash book are found on credit side of pass book. After comparing them, the items which are recorded in one of the two books only are ticked and should be written on a separate paper.

- (i) The items recorded on debit side (Bank Column) of Cash Book but not recorded in pass book's credit side.
- (ii) Such items recorded on deposit or debit side of pass book but not recorded on credit side (Bank Column) of cash book.
- (iii) Such items which are recorded in both the books but the amount differs.

- (b) Reconciliation of items recorded on credit side of cash book with items recorded in withdrawal column of pass book –

The items which are recorded on credit side of cash book (bank column) are recorded on debit or withdrawal column of pass book. These items should be compared and ascertained those items recorded in one of the two books only. Such items should be written on a separate paper.

- (i) The items that are recorded on credit of bank column of cash book but not recorded on withdrawal or debt side of pass book.
- (ii) Such items that are recorded on withdrawal column of pass book but not recorded on credit side of bank column of cash book.
- (iii) Such items that are recorded in both the books but differ in amount.

After comparing the two books all those reasons are known on account of which the balances in two books differ.

5. Process of preparation of Bank Reconciliation Statement –

The following procedure may be adopted for the preparation of Bank Reconciliation Statement –

- (i) To ascertain the reasons of difference –
First of all we should compare the items recorded in Bank column of cash book with those items recorded in pass book, to find out the reasons for the difference.
- (ii) Selection of Base Balance –
A bank reconciliation statement can be prepared by taking the balance either as per cash book or as per pass book as a starting point. As such first we should decide one of the two alternative. If in a question only one balance is given then that balance will be taken as base balance.
- (iii) Effect of reasons of difference –
When the reasons of difference in two balances are ascertained then we should see that which balance has been affected by the related reason or whether it is affecting the balance to be ascertained. It can be determined by looking to the book in which the transaction has been recorded.
- (iv) What is the effect of reason of difference –
When it is ascertained that reason of difference is recorded in which book (cash book or pass book), then we should note whether the balance of that book in which it is recorded has been increased or decreased.
- (v) Reconciling the effect –
With the object if reconciling the effect of that reason, it will either be added to or subtracted from the base balance. This decision will be based on the fact that
 - (a) The difference has affected the balance, if it causes increase in base balance, this item will be deducted from base balance, if base balance has decreased, it will be added in base balance.
 - (b) If the reason of difference has affected the balance to be ascertained and that balance has increased due to it, the amount of this item should be added in base balance and vice-versa.

6. Methods of Preparation of Bank Reconciliation Statement –

A bank reconciliation statement may be started from any one of the following methods –

1. Taking cash book balance as base balance -
 - (a) Debit or favorable balance as per cash book.
 - (b) Credit or overdraft balance as per cash book.
2. Taking pass book balance as base balance –
 - (a) Debit or overdraft balance as per pass book.
 - (b) Credit or favorable balance as per pass book.

Under the above two situations, the rules regarding adding and subtracting of items causing errors may easily be understood as shown in the chart given below –

Items	Cash Book		Pass Book	
	Dr Bal. Normal	Cr Bal. Overdraft	Dr Bal. Overdraft	Cr Bal. Normal
(1) Cheque issued but not yet presented for payment	Add	Less	Add	Less
(2) Cheque disposed into bank but not yet collected	Less	Add	Less	Add
(3) Interest allowed by bank, but not entered in cash book	Add	Less	Add	Less
(4) Bank charges not entered in cash book	Less	Add	Less	Add
(5) Direct deposit into the bank by a customer	Add	Less	Add	Less
(6) Direct Payments from bank not entered in cash book	Less	Add	Less	Add
(7) Direct collection made by bank not entered in cash book	Add	Less	Add	Less
(8) Cheque issued and payment received by the creditors but not entered in cash book	Less	Add	Less	Add
(9) Cheque paid into bank but omitted to be entered in cash book	Add	Less	Add	Less
(10) Dishonour of a cheque & bill discounted with bank	Less	Add	Less	Add
(11) Cheque entered in cash book but not sent to bank	Less	Add	Less	Add

1. Taking cash book balance as base balance –

(a) By debit balance of bank column of cash book as base balance –

Usually cash book shows debit balance which means the amount is lying deposited into bank. Thus if debit balance as per cash book is given then Bank Reconciliation Statement is prepared taking that balance as base. By adding and subtracting various reasons of difference in balance, the result will be balance as per pass book. When the difference is positive, end result of pass book is credit balance. On the other hand if it negative, end result of pass book is debit or overdraft. Its proforma is as under –

Bank Reconciliation Statement as on

Particulars	₹	₹
Balance as Per Cash Book (Debit)		--
Add:		
(i) Cheque issued but not yet presented for payment	--	
(ii) Dividend received by the bank	--	
(iii) Interest credited by the bank	--	
(iv) Directly deposited into bank by the customers	--	
(v) Amount received on B/R by bank	--	--
Less :		
(i) Cheque sent for collection but not yet collected by bank	--	--
(ii) Payment directly made by the bank	--	
(iii) Interest on overdraft charged by the bank	--	--
(iv) Discounted Bills receivable dishonoured	--	
(v) Any other amount debited by bank	--	--
Balance as Per pass book (credit(+)/debit(-))		--

Debit balance of ₹ 14,500 showed by cash book of Ashok on 30th April, 2016. The following causes of difference were found when compare from pass book. Prepare a bank reconciliation statement as on 30th April, 2016 and show the balance as per pass book.

- (i) Cheque issued of ₹ 4,000 but not yet presented for payment.
- (ii) Cheque sent to bank ₹ 12,000 but not collected upto 30th April, 2016.
- (iii) Giriraj deposited ₹ 4,000 directly in the bank account of the trader.
- (iv) Bank deposited ₹ 100 as interest.
- (v) Bank paid directly ₹ 3,000 for insurance premium.
- (vi) Bank charges ₹ 200 charged by bank, not yet entered in cash book.

Solution :

- (i) The trader issued cheques worth ₹ 24,000 and entered in cash book immediately on credit side by reducing debit balance by ₹ 4,000, but these cheques were not presented for payment in the bank till the date of preparing Bank Reconciliation Statement. Thus the bank has not reduced the balance of the trader. Thus this amount should be added in Debit balance.
- (ii) Cheques worth ₹ 12,000 were deposited by the trader into the bank for collection which was immediately debited in Bank column of cash book, which means debit balance is increased but these cheques could not be collected till 30th April. As such the bank has not increased deposit balance of the customer. This amount will be deducted from the cash book balance so as to reconcile it with pass book balance.
- (iii) Giri Raj a customer deposited his dues directly in Bank. Thus Bank has increased the deposit balance of the trader. No entry could be passed in cash book in the absence of information. As such this amount will be added.
- (iv) Bank allowed interest of ₹ 100 and increased the balance of the trader. Thus, Cash Book balance should also be increased by adding this amount.
- (v) Bank paid ₹ 3000 insurance premium under standing orders of the trader and the same amount is written on withdrawal column of passbook reducing the deposit balance of the trader. So, this amount will be deducted from deposit balance of the trader also.
- (vi) Bank has charged ₹ 200 for the services and trader's balance is reduced by this amount. As such, the trader will also deduct this amount from his debit balance so as to tally bank cash book balance with that of bank pass book balance.

Bank Reconciliation Statement of Ashok as on 30th April, 2016

Particulars	Details	(₹)
Balance as per cash book (Debit)		14,500
Add:		
(i) Cheque issued but not yet presented for payment	4,000	4,000
Amount directly deposited by Giriraj in bank account but not yet entered in cash book		
Interest deposited by bank but not entered in cash book	100	8,100
		22,600
Less:		
(ii) Cheque sent for collection but not yet collected by Bank	12,000	
Insurance premium paid by bank but not yet entered in cash book	3,000	
Bank charges not yet entered in cash book	200	15,200
Balance as per pass book (credit)		7,400

Note Special – The students may solve the questions relating to Bank Reconciliation in the same manner as has been shown in the above illustration by analyzing the reasons for adding and subtracting the items. In the above illustration every item is discussed in details in order to understand the same. In the question only Bank Reconciliation Statement is required to prepare.

(b) Taking credit balance of cash book as base –

When bank column of cash book reveals credit balance which is over draft balance of cash book. As such by adding or subtracting the reasons of difference, the balance thus obtained shall be Debit balance of pass book (if balance is positive) and credit balance of pass book (if balance is negative).

हल (Solution):

Bank Reconciliation Statement as on

Particulars	Details(₹)	(₹)
Balance as per cash book (overdraft or credit)		-
-		
Add :		
(i) Cheque sent for collection but not yet collected by the bank.	--	
(ii) Bank charges, fees etc.	--	
(iii) Payment directly made by bank	--	
(iv) Discounted bill dishonoured	--	
(v) Interest charged on overdraft	--	
(vi) Any other amount debited by bank	---	--
		--
Less :		
(i) Cheque issued but not yet presented for payment		--
(ii) Directly deposited by customers in bank account		--
(iii) Interest credited on deposits	--	
(iv) Dividend received by bank	--	
(v) Any other amount credited by bank	--	

Illustration – 2 : From the following particulars, prepare a bank reconciliation statement on 31st March, 2017 in the books of Vitthal :

1. Bank overdraft as per Cash Book.	20,000
2. Cheques deposited into Bank but no entry was passed in cash book	750
3. Cheque received but not sent to the Bank.	2,500
4. Credit side of bank column cast short.	250
5. Insurance premium paid directly by bank under standing orders	1,250
6. Bank charges entered twice in cash book.	85
7. Received cheques returned by bank but no entry passed	1,000
8. Issued cheque returned dishonored on technical grounds.	750
9. B/R collected directly by bank.	5,000
10. Bank charges debited by bank.	30
11. Cheque received entered twice in cash book.	1,250
12. B/R discounted but dishonoured.	10,000

(Solution) :

Bank Reconciliation Statement of Vitthal as on 31st March, 2017

Particulars		Amount
Overdraft Balance as per cash book(credit bal.)	(₹)	20,000
Add : (i) Cheque received but not sent to the bank	2,500	
(ii) Credit side of the bank column cast short		250
(iii) Insurance premium paid directly by bank		1,250
(iv) Cheque received returned by bank		1,000
(v) Bank charges debited by bank	30	
(vi) Cheque received entered twice	1,250	
(vii) Bill discounted dishonoured	10,000	16,280
		36,280
Less: (i) Cheque deposited in bank but no entry was passed in the cash book	750	
(ii) Bank charges entered in cash book twice		25
(iii) Cheque issued returned on technical grounds	750	
(iv) Bills directly collected by bank	5,000	6,525
Overdraft balance as per pass book (debit balance)		29,755

2. Taking Pass book Balance as Base –

(a) Taking Pass book Debit Balance as Base –

When trader's account in bank books shows debit balance which means an overdraft balance and after making adjustment of all the reasons of differences, the balance obtained will represent credit or overdraft balance of cash book, but if the balance is negative, the balance ascertained will be debit balance of cash book. Whether starting balance is debit balance of pass book in preparing bank reconciliation statement, the proforma shall be the same as in illustration – 1 in which base balance is debit balance of cash book. In this case we should simply change the heading as, "Debit Balance as per Pass Book". After making adjustment of various reasons of difference the balance thus obtained will be credit or overdraft balance of cash book, unless the balance is negative one. In case of negative balance, the final balance will be Debit balance as per cash book.

Illustration 3 – Prepare Bank Reconciliation Statement on the basis of balance of Devesh Bank Account as on 31st March, 2017.

	(₹)
i. Debit balance as per pass book (overdraft)	22,500
ii. Cheque deposited into bank for collection but not yet collected	3,500
iii. Cheque issued in March for ₹ 15,000 out of which cheque for ₹ 5,000 were discount in May, 2017.	
iv. Directly deposited by customer in bank account.	4,500
v. Interest charged by bank on overdraft.	1,000
vi. Bank paid insurance premium understanding instruction given.	1,500

(Solution):

Bank Reconciliation Statement of Devesh as on 31st March, 2017

Particulars		
Debit balance as per pass book(overdraft)		22,500
Add : (i) Cheque issued but not yet presented for payment up to 31st March,2015		
5,000		
(ii) Cash Directly deposited by customers into bank		4,500
Less:		32,000
(i) Cheque sent for collection but not yet collected	3,500	
(ii) Interest charged by bank	1,000	
(iii) Insurance premium paid by bank under standing instructions		1 , 5 0 0

(b) Taking Pass Book credit balance as base balance –

Generally trader's balance in bank is positive which means his amount is in deposit with bank. When we proceed with the credit balance of Pass book then after making adjustments as regards addition and subtraction, the balance so obtained will be Debit Balance as per cash book. In case of negative balance, it will be credit or overdraft balance as per cash book. Before solving question with this method, students are advised to study proforma-2 (credit balance of cash book) accordingly the difference in two balances will be shown in bank reconciliation statement.

Illustration 4 : From the following information prepare bank reconciliation statement as on 30th June, 2016 -

- (i) Credit balance of pass book. ₹ 21,600
- (ii) Cheques sent for collection into bank ₹ 20,000 out of which cheques worth ₹ 2,400 were not yet collected.
- (iii) Cheques issued for ₹ 3,000 but not yet presented for payment in bank.
- (iv) Interest allowed by Bank on trader's deposits ₹ 700.
- (v) Incidental expenses charged by bank ₹ 50.
- (vi) Rent paid by bank under standing orders ₹ 1,000.

(Solution):

Bank Reconciliation Statement as on 30th June, 2016

Particulars	(₹)	(₹)
Credit balance	as per	pass book
21,600		
Add : (i) Cheque sent for collection but not yet collected by the bank		2,400
(ii) Bank charged as incidental expenses		50
(iii) Rent paid by bank under standing order		1,000
Less :		25,050
(i) Cheque issued but not yet presented for payment		3,000
(ii) Interest allowed by bank on deposits	700	3,700

Conclusion :

On looking to various forms of questions illustrated above we come to the conclusion the solving question of starting with debit balance of cash book or with debit balance of pass book, adjustment of differences to be made are similar (proforma-1) and in case of credit balance of pass book or cash book is taken as base balance, differences will be adjusted in the same manner in both cases. Thus if you remember first format thoroughly, the second proforma is just the reverse of the first i.e. items added in first proforma will be deducted in second proforma and vice-versa.

7. When causes of difference are not given –

Sometimes, causes of difference between cash book balance and pass book balance are not given but the summary of transactions of cash book and pass book are given for the same period. Under such situation, first of all causes of difference between two balances are ascertained by comparing bank column of cash book with pass book entries for the same period. Items of debit side of cash book should be compared with the items recorded on deposit column of pass book and credit items of bank column with withdrawal column of pass book column. Thus, first find out those difference and there after we should proceed to prepare the statement of reconciliation. This have been illustrated in the following example no. 5

(The following summary of cash and pass boook are related to books of Niranjani for the month of April)

Cash Book (Bank Column)

Date	Particulars	(₹)	Date	Particulars	(₹)
1.4.15	To Balance b/d		12,500	1.4.15 By Salaries a/c(Ch.No.183)	
	4,000				
4.4.15	To Sales a/c		8,000	6.4.15 By Purchases a/c(Ch.No.184)	
	3,200				
8.4.15	To Pankaj		1,500	11.4.15 By Machinery	
a/c(Ch.No.185)	6,000				
13.4.15	To Manish	3,400	15.4.15	By Om Prakash (Ch.No.186)	1,000
18.4.15	To Kamal	4,600	19.4.15	By Drawings (Ch.No.187)	800
21.4.15	To Furniture a/c	1,200	23.4.15	By Kishore	(Ch.No.
188)	2,000				

Bank Pass Book

Date	Particulars	Deposit	Withdrawals	Balance
1.4.14 Cr.	Balance	-	-	12,500
2.4.14 Cr.	Cheque 183	-	4	, 0 0 0
8,500 Cr.	Cash	8,000	-	16,500 Cr.
6.4.14 Cr.	Cheque 184	-	3	, 2 0 0
13,300 Cr.	Cheque	1,500	-	14,800 Cr.
10.4.14	Cheque	3,400	-	18,200 Cr.
16.4.14	Cheque 187	-	800	17,400 Cr.
17.4.14	Cheque	4600	-	22,000
20.4.14 Cr.	Cheque	3,800	-	25,800 Cr.
24.4.14	Cheque 185	-	6,000	19,800 Cr.
28.4.14	Cheque 189	-	1,000	18,800 Cr.

(Prepare Bank Reconciliation Statement on 30th April, 2016)

(Solution):

Bank Reconciliation Statement of Niranjana as on 30th April, 2016

Particulars	Detail	(₹)
Debit Balance as per cash book		19,500
Add: (i) Cheque issued but not yet presented for payment		
Cheque No. 186 1,000		
Cheque No. 188 2,000		
Cheque No. 190 500	3,500	
(ii) Interest credited by bank not entered in cash book	100	3,600
		23,100
Less: (i) Amount deposited into bank but not credited by bank	1,200	
(ii) Bank charges charged by bank	10	
(iii) Insurance premium paid by bank	690	1,900
Credit balance as per pass book		21,200

Note : On analyzing the above transactions given in bank column of cash book and bank pass book the following points are noticed—

- (1) Nine cheques were issued during the period out of which cheques of ₹ 1,000 ; ₹ 2,000 and ₹ 500 were not presented in the bank.
- (2) Similarly on comparing debit side of cash book with the deposit column of pass book, it is found that a cheque of ₹ 1,200 received from sale of furniture was deposited into the bank but not collected upto the date of preparing this statement and ₹ 100 interest allowed by bank is not recorded in cash book.

On withdrawal column of pass book two entries regarding insurance premium and bank charges are not in cash book.

Thus, for Reconciliation of cash book and bank pass book balances are the aforesaid causes.

8. Preparation of Bank Reconciliation Statement on the basis of Adjusted Cash Book –

Sometimes amended cash book is prepared prior to the preparation of bank reconciliation statement. The following rules are followed for the preparation of amended cash book –

- (i) Only Bank column of cash book is revised.
- (ii) Make necessary entries for such items recorded in Pass Book but not in cash book, for example Bank charges, dividends and interest collected by Bank, direct payments by bank understanding orders, dishonor of cheques and bills not yet recorded in cash book.
- (iii) Similarly, all errors committed in cash book should be rectified such as over or under casting on debit or credit sides, amount entered twice in cash book, wrong amount entered in cash book.
- (iv) But such items recorded in cash book but not in pass book will be shown in bank reconciliation statement.

Thus, after amending Bank column of cash, bank reconciliation statement is prepared taking amended or revised cash book balance as starting balance.

Illustration : 6–

Vitthal's cash book on 31st March, 2017 showed an overdraft balance of ₹ 36,300 as his account at the bank. On Investigation you find :

- (i) Cheque drawn amounting to ₹ 12,600 had not been presented to the bank for payment.
- (ii) Cheque ₹ 10,800 entered in the cash book and paid into the bank had not been credited by the bank.
- (iii) The debit side of the cash book had been under cast by ₹ 3,000.
- (iv) Bank charges ₹ 150 entered on the bank statement but had not been entered in cash book.
- (v) A cheque for ₹ 15,600 drawn this the bank account but by mistake it had been charged by bank in other account.
- (vi) A dividend of ₹ 900 directly deposited to the bank had not been entered in cash book.
- (vii) A cheque of ₹ 2,100 received from a debtors paid into the bank dishonored and shown as such by the bank but no entry of dishonor had been made in cash book.
- (viii) A cheque for ₹ 1,260 drawn by bank's another customer of the same name, had been charged to Vitthal's bank account in error.

You are required :

- (A) To show the necessary adjustments to be made in the cash book.
- (B) To prepare a Bank Reconciliation Statement as on 31st March.

(Solution):**Bank Column of Cash Book of Vitthal**

		(₹)	
(₹)			
To Adjustment for under casting	3,000	By Balance b/d (overdraft)	36,300
To Dividend	900	By Bank charges	150
To Balance c/d	<u>34,650</u>	By Debtors A/c.(dishonoured cheque)	<u>12,600</u>

Bank Reconciliation Statement of Vitthal as on 31st March, 2017

Credit balance as per cash book (Overdraft)		34,650
Add: (i) Cheque deposited in to bank but not year credited	10,800	
(ii) Cheque of another party wrongly debited to his a/c	1,260	12,060
		46,710
Less: (i) Cheque issued but not yet presented for payment		12,600
(ii) Cheque drawn in this bank a/c wrongly debited to other a/c	15,600	28,200
Overdraft as per pass book		18,510

Illustration : 7 –**Typical Illustration**

Prepare Bank Reconciliation Statement as on 31st March, 2017 from the following information :

	(₹)
(i) Debit Balance as per Bank Column of Cash Book	16,000
(ii) Cheques issued to creditors but not yet presented for payment to the bank.	3,600
(iii) Cheques deposited into bank for collection but not yet collected by the bank upto date	7,700
(iv) Interest deposited by bank.	1,250
(v) A cheque deposited into bank was dishonored but no information received.	640
(vi) Bank charges.	100
(vii) Dividend received by bank but not entered in cash book.	1,000
(viii) Bank paid insurance premium on behalf of trader but no information received from bank in this connection.	700

(Solution):

Bank Reconciliation Statement as on 31st March, 2017

		(₹)
Debit Balance of Cash Book		16,000
Add: (i) Cheque issued but not yet presented for payment		3,600
(ii) Interest deposited	by	bank
1,250		
(iii) Dividend received by bank but not entered in cash book		
1,000		
		21,850
Less: (i) Cheque deposited into bank but not yet collected		7,700
(ii) Deposited cheque dishonoured	640	
(iii) Bank charges	100	

Illustration 8–

Prepare Bank Reconciliation Statement as on 31st December, 2016 from the following information :

- The credit balance as per cash book was ₹ 12,680 on 31st December, 2016.
- Interest on overdraft for 6 months ₹ 320 entered in pass book.
- Bank charges of ₹ 60 were debited in the pass book.
- Dividend collected by bank and credited in the pass book ₹ 2,400.
- Cheque deposited into bank for collection but not collected upto 31st December, 2016 ₹ 4,340.

(Solution):

Bank Reconciliation Statement as on 31st December, 2016

Particulars	₹	₹
Credit balance as per cash book (overdraft)		12,680
Add: (i) Interest debited on bank overdraft	320	
(ii) Bank charges debited by bank	60	
(iii) Cheque deposited into bank but not yet collected	4	3 4 0
4,720		
		17,400
Less: (i) Dividend collected by bank	2,400	
		2,400

Illustration 9

The cash book of Ashok showed the debit balance of bank column ₹40,000 on 31st March, 2017. On comparing with pass book the following information were found –

- (i) A blank cheque was given to supplier of goods. It was ascertained from the bank statement that he had written ₹ 30,000 in this cheque. It was not entered in cash book.
- (ii) A cheque of ₹ 25,000 deposited into bank on 26th March, 2017 was credited in the pass book on 2nd April, 2017.
- (iii) Bank paid ₹ 500 for house tax but but not entered in cash book.
- (iv) The trader had ordered the bank to transfer ₹ 10,000 from bank account to fixed deposit but bank had not taken any action. Trader had already recorded this transaction in cash book.
- (v) Bank credited ₹ 3,000 as interest his account.
- (vi) A cheque for ₹ 15,000 received from Deepesh was entered in the bank column of cash book but forgotten to send it in bank.

(Solution):

Bank Reconciliation Statement of Ashok as on 31st March, 2017

Particulars	₹	₹
D e b i t b a l a n c e a s p e r	c a s h	b o o k
40,000		
Add: (i) Amount ordered to be transferred to fixed deposit but not recorded in pass book	10,000	
(ii) Interest credited by bank	3,000	13,000
		53,000
Less: (i) Cheque given to Supplier but not entered in cash book		20,000
(ii) Cheque deposited into bank but not credited	25,000	
(iii) House tax paid by bank		500
(iv) Cheque received from Deepesh entered in bank Column of cash book but forgotten to be sent to bank	15,000	60,500

Illustration 10

On 31st March, 2017 the Pass Book of X showed a credit balance of ₹6,260 but it was different the cash book balance due to following :

- (i) Cheque issued to R for ₹ 2,400 and D for ₹ 1,536 were not yet presented for payment.
- (ii) Bank charged ₹ 140 for bank charges and Neeraj directly deposited ₹ 3,264 into the bank account of the trader which were not entered in the cash book.
- (iii) Two cheques ₹ 7,060 deposited into bank for collection on 25th March, 2017 were collected in April, 2017 by the bank.
- (iv) Interest allowed by bank ₹ 180.

Prepare bank reconciliation statement as on 31st March, 2017.

(Solution):

Bank Reconciliation Statement of X as on 31st March, 2017

Particulars	Amount ₹	Amount ₹
Credit balance as per pass book		6,260
Add: (i) Cheque sent to bank for collection but not yet credited	7,060	
(ii) Bank charges debited by the bank		1 4 0
7,200		
		13,460
Less: (i) Cheque issued to customers but not yet presented for payment		
(R 2,400 + D 1,536)	3,936	
(ii) Neeraj directly deposited in to bank	3,264	
(iii) Interest allowed by bank	180	7,380

Illustration 11

On 30th June, 2016 the pass book of a merchant showed a debit balance of ₹ 42,300 due to following reasons there was difference between balance of in cash book and pass book. Prepare bank reconciliation statement.

- (i) Cheque issued ₹ 4,994 out of these ₹ 1,390 cheques were presented for payment upto 30th June, 2016.
- (ii) Interest on bank overdraft not entered in the cash book ₹ 1,040.
- (iii) Outstation cheques amounting to ₹ 31,160 were sent to bank for collection on 30th June, 2016 but were not collected in 30th June, 2016.
- (iv) A hundi for ₹ 9,000 due on 30th June, 2016 was sent to the bank but not credited in the pass book till 1st July, 2016.
- (v) Bank charges debited in pass book but not entered in the cash book ₹ 200
- (vi) The bank paid subscription to chamber of commerce according to our standing order but it was not entered in the cash book ₹ 500.

(Solution):

Bank Reconciliation Statement as on 30th June, 2016

Particulars	Amount ₹	Amount ₹
Debit balance as per pass book (overdraft)		42,300
Add: (i) Cheque issued but not presented for payment (4904-1390)		
3,604		45,904
Less: (i) Interest on bank overdraft	1,040	
(ii) Outstation cheques sent to bank for collection but not yet collected	31,160	
(iii) Hundi deposited but not credited in pass book	9,000	
(iv) Bank charges charged by bank	200	
(v) Subscription paid to chamber of commerce	500	41,900

The above question may be solved by an alternative method. It items of adjustment like credit balance of pass book which means which are be shown in minus column.

Bank Reconciliation Statement

Particulars	Amount ₹	Amount ₹
Balance as per pass book (overdraft)	(+)	- 42,300
Add: (i) Interest on bank overdraft	1,040	
(ii) Outsiders cheque sent to bank for collection but not yet collected	31,160	
(iii) Hundi deposited but not credited in pass book	9,000	
(iv) Bank charges charged by bank	200	
(v) Subscription paid to chamber of commerce	500	+41,900
		-400
Less: (i) Cheque issued but not presented for payment		-3,604
Balance as per cash book (overdraft)		-4,004

Illustration 12 –

The cash book of Sanjay showed a debit balance of ₹ 25,000 on 30th June, 2016 you are given the following particulars :

- | | |
|--------------------------------------------------------------------------------|--------|
| (1) Cheque issued but not yet presented for payment. | 35,620 |
| (2) Cheque deposited into bank but not yet collected. | 44,750 |
| (3) Cash sales wrongly recorded in the bank column in the cash book. | 7,400 |
| (4) Rent paid by cheque, credited in the cash column in cash book. | 5,100 |
| (5) Interest on investment was collected by bank but not entered in cash book. | 3,000 |
| (6) Directly deposited by customer into bank. | 3,500 |

(7) Wrongly credit given by bank. 2,500

(8) Over casting error in credit side bank column of cash book 400

Pass necessary adjustment in cash book and then prepare bank reconciliation statement on 30th June, 2016.

Solution :

There are a few such items in the question which have been entered in the Pass Book but not entered in Cash Book due to lack of information. Some errors have also been committed in cash book. As such, we may first prepare adjusted cash book by entering pass book transactions in cash book balance and rectifying mistakes of cash book and then bank reconciliation statement will be prepared taking revised cash book balance as base balance.

Dr		Adjusted Cash Book (Bank Column)		Cr	
Particulars	(₹)	Particulars	(₹)		
To Balance b/d	25,000	By Cash Sales	7,400		
To Interest received	3,000	By Cash(Rent paid wrongly recorded)	5,100		
To Debtors(directly deposited)	3,500	By Balance c/d	19,400		
To Casting error(over casting)		400			
	31,900		31,900		

Bank Reconciliation Statement as on 30th June, 2017

Debit Balance as per cash book		
19,400		
Add: (i) Cheque issued but not yet presented for payment	35,620	
(ii) Wrongly credit given by bank	2,500	38,120
		57,520
Less: (i) Cheque deposited into bank but not yet collected		

44,750

(Illustration) : 13

The following are the cash book and bank pass book of Aakash for the month of June, 2016.

Cash Book (Bank Column)

Date	Particulars	(₹)	Date	Particulars	(₹)
2016			2016	Cheque No.	
April 1	To Balance b/d	25,000	April 1	By Salaries a/c (00325)	8,000
" 4	To Sales a/c	16,000	" 6	By purchases (00326)	6,400
" 8	To Pankaj	3,000	" 11	By Machinery (00327)	12,000
" 13	To Rahul	6,800	" 19	By Drawings (00329)	1,600
" 18	To Mohan	9,200	" 23	By Kamal (00330)	4,000
" 21	To Furniture a/c	2,400	" 27	By Santos h (00331)	
" 25	To Sales a/c	7,600	" 30	By Printing (00332)	

Bank Pass Book

Date	Particulars	Cheque No.	Debit (Withdrawals)	Credit (Deposit)	Dr/ Cr	Balance (₹)
2016						
April 1	To Balance b/d				Cr	25,000
" 2	To Cheque	00325	8,000		Cr	17,000
" 6	To Cheque (Sales)	-		16,000	Cr	33,000
" 6	To Cheque(Purchases)	00326	6,400		Cr	26,600
" 10	By Cheque (Pankaj)			3,000	Cr	29,600
" 16	By Cheque (Rahul)			6,800	Cr	36,400
" 17	To Cheque (Drawings)	00329	1,600		Cr	34,800
" 20	By Cheque (Mohan)			9,200	Cr	44,000
" 24	By Cheque (Sales)			7,600	Cr	51,600
" 28	To Cheque(Machinery)	00327	12,000		Cr	39,600
" 28	To Cheque(Printing)	00332	2,000		Cr	37,600
" 30	By Interest			200	Cr	37,800
" 30	By Deposit (Kanti)			6,000	Cr	43,800
" 30	By Charges		20		Cr	43,780

You are required to prepare a Bank Reconciliation Statement on 30th June, 2016

(Solution):

Bank Reconciliation Statement of Aakash as on 30th June, 2016

Particulars	Amount ₹	Amount ₹
Debit Balance as per cash book		39,000
Add: (i) Cheque Issued but not yet presented for payment (2,000+4,000+1,000)	7,000	
(ii) Direct deposited made by customer (Kanti)	6,000	
(iii) Interest credited by bank	200	13,200
		52,200
Less: (i) Cheque deposited but not collected by bank (2,400+6,000)	8,400	
(ii) Bank charges debited by bank	20	8,420
Credit balance as per pass book		43,780

Summary

Usually the balance of bank column of cash book and the balance in customer's pass book given by the bank are the same but sometimes these two balances do not match with each other.

There are several reasons for the difference in these two balances. After finding out the reasons of such difference, a statement is prepared which is called Bank Reconciliation Statement. The main reasons of difference between the balances of bank column of cash book and that of bank pass book is due to the following three situations.

- (i) Time gap in recording transactions.
- (ii) Transactions, and
- (iii) Error commitment

The main reasons of difference due to above situations are as follows –

- (1) Cheques deposited into Bank but not collected by bank till the date of preparing this statement.
- (2) Cheques issued by the trader but not presented for payment in bank till this date.
- (3) Interest credited by bank.
- (4) Interest charged by bank.
- (5) Amount deposited by a customer directly in Business Account.
- (6) Payment of certain expenses by bank on behalf of the trader under standing order.

All these reasons can be ascertained by means of deep study of Bank pass book and bank column of cash book. Bank reconciliation statement may be prepared taking either cash book balance as base balance or pass book balance as base balance. Preparation of Bank Reconciliation Statement is very useful in finding out reasons for delay in collection of cheques and reduces the chances of embezzlement by the trader's staff or the bank.

Important Words : Bank Reconciliation Statement, Overdraft, Bank Charges, Discounting of Bill, Withdrawals, Dishonor, Deposit, Investigation, Dividend, Fixed Deposit.

Questions for Exercise :

Objective Type Questions –

1. Bank Reconciliation Statement is prepared -
 (a) by Trade (b) by Bank
 (c) by Creditors (d) by Debtors ()
2. The Bank Reconciliation Statement is prepared –
 (a) To find out fraud and errors (b) To test arithmetical accuracy
 (c) To reconcile the difference in balances of cash book and pass book
 (d) To find out profit of Business ()
3. Bank Reconciliation Statement is prepared on the basis of which books-
 (a) Cash book and Purchase book (b) Purchase Book and Sales Book
 (c) Pass Book and Sales Book (d) C a s h b o o k a n d P a s s B o o k
 ()
4. Which balance is taken as base balance for preparing bank reconciliation statement –
 (a) Balance of Ledger (b) Balance of cash book
 (c) Balance of Pass Book (d) Cash Book or Pass Book ()
5. A trader issued cheque worth ₹ 36,000 on 26th June, 2016 out of which cheques worth ₹ 16,000 were presented for payment in the bank. On July 15, 2016. Difference in cash book and bank pass book balances as on 30th June, 2016 will be –
 (a) of ₹ 16,000 (b) of ₹ 6,000
 (c) of ₹ 20,000 (d) o f ₹ 2 2 , 0 0 0
 ()

6. A trader deposited cheques worth ₹ 16,000 into the bank on 28th March, 2017 out of which a cheque of ₹ 6,000 was collected by bank on April 1, 2017 when it was credited. On 31st March, 2017 the difference between the balances of cash book and pass book balances will be—
 (a) of ₹ 16,000 (b) of ₹ 6,000
 (c) of ₹ 2,000 (d) o f ₹ 2 2 , 0 0 0
 ()
7. A trader's bank column of cash book shows a credit balance of ₹ 6,000 and a customer has directly deposited ₹ 2,000 on 30th June, 2016. The balance book on 30th June, 2016 will show a balance—
 (a) of ₹ 6,000 (b) of ₹ 8,000
 (c) of ₹ 2,000 (d) of ₹ 4,000 ()
8. The balance of cash book will not tally with the balance of pass book if—
 (a) Cheques deposited into bank were collected
 (b) Bank charges were also entered in cash book
 (c) A customer's direct deposit into trader's account in bank was duly informed by bank to the trader.
 (d) Payment of certain expenses by bank under standing orders but no information furnished by bank to the traders. ()

Very short answer type questions :

1. What is the main reason of preparing Bank Reconciliation Statement?
2. Name those books on the basis of which Bank Reconciliation Statement is prepared.
3. Pass Book is the copy of which account ?
4. Which balance of pass book shows overdraft balance ?
5. When is Bank Reconciliation Statement prepared ?
6. A cheque of ₹ 14,000 was sent to the Bank for collection but was not collected till the date reconciliation. What will be the effect of it on the cash book and pass book balances ?
7. Cheques issued for ₹ 3,000 but upto the date of reconciliation, present for payment for ₹ 2,000. How is the balance of cash book affected ?
8. Credit balance of cash book shows which balance ?

Short answer type questions —

1. What is Bank Reconciliation Statement ?
2. Why is Bank Reconciliation Statement prepared ?
3. State any four reasons of difference between cash book and bank pass book balance.
4. Which of the balances of cash book and bank pass book show overdraft balance ?
5. Prepare a Bank Reconciliation Statement starting with credit balance of cash book with imaginary figures taking five reasons of difference.

6. When is adjusted cash book prepared ?
7. The credit balance of cash book bank column shows ₹ 10,000 and bank charged ₹ 500 fee and makes a payment of ₹ 1,000 under standing order. What will be the balance as per pass book ?
8. A trader has discounted an acceptance of ₹ 5,000 from the bank which was dishonored on due date. How will this item shown while reconciling the credit balance of pass book with the balance of cash book bank column.

Essay Type Questions –

1. What is Bank Reconciliation Statement ? Why it necessary to prepare ?
2. Throw light on the importance of preparing Bank Reconciliation Statement. Name various methods of preparing such a statement ?
3. State the meaning of Bank Reconciliation Statement. Explain in details the various reasons of difference in the balances of cash book (bank column) and bank pass book.
4. Which are the items added for reconciling debit balance of cash book with the bank pass book balance ?

Numerical Questions –

1. Prepare bank reconciliation statement as on 31st March, 2017 from the following :

(i) Cheque issued but not yet presented for payment.	6,000
(ii) Cheque deposited into bank for collection but not yet collected.	5,000
(iii) Bank paid insurance premium	1,000
(iv) Directly deposited into bank by Ramesh as debtor	4,000
(v) Bank a/c (cash book) in Merchant's Ledger showed a debit balance	28,000

[Answer : Pass book Cr. Balance ₹ 32,000]
2. From the following particulars prepare a Bank Reconciliation statement showing the balance as per Pass Book as 30th June, 2016–
 - (i) Debit balance as per cash book ₹ 4,300.
 - (ii) A cheque of ₹ 3,000 issued to Rakesh but was not yet presented for payment.
 - (iii) Cheque deposited into bank ₹ 10,000 out of which ₹ 2,000 cheque collected in July.
 - (iv) Fee charged by bank ₹ 300.
 - (v) Insurance premium paid by bank ₹ 500.
 - (vi) Membership fee paid by bank under standing order ₹ 200.

[Answer : Pass book credit balance ₹ 4,300]
3. On 31st March, 2017 the cash book of Mr. 'A' shows a credit balance of ₹43,200 but their pass book shown a difference due to the following reasons :

- (i) A out station cheque for ₹ 890 deposited into bank on 28th March, 2017 has not yet collected.
- (ii) A cheque for ₹ 2,320 issued to Mahesh has not yet been presented for payment.
- (iii) A customer deposited ₹ 570 direct into Bank on 31st March, 2017 without informing to merchant.
- (iv) Bank charges ₹ 52 and interest on overdraft ₹ 480 have been debited in the pass book.
- (v) A Post dated cheque ₹ 2,700 was deposited into bank but could not have been collected in any case.
- (vi) Fire insurance premium amounting to ₹ 1,000 paid by the bank under a standing order has not been entered in cash book.

[Answer : Debit balance as per pass book ₹ 45,432]

4. From the following particulars prepare Bank Reconciliation Statement as on 30th June, 2016 :

- | | | |
|-------|--------------------------------------------------|--------|
| (i) | The pass book showed a credit balance. | 25,340 |
| (ii) | Cheque issued but not yet presented for payment. | 1,200 |
| (iii) | Cheque deposited but not yet collected. | 1,800 |
| (iv) | House tax paid by bank. | 1,000 |
| (v) | Bank charges realized by bank. | 60 |
| (vi) | Directly deposited by a customer. | 1,600 |
| (vii) | Interest on investment collected by bank. | 400 |

[Answer : Balance as per cash book (debit) ₹ 25,000]

5. Prepare Bank Reconciliation Statement from the following particulars :

- (i) Balance as per pass book on 31st Jan., 2017 overdraft (debit) ₹30,780.
- (ii) Cheque drawn on 31st January, 2017 but not cleared till Feb., 17. ₹14,778.
- (iii) Bank overdraft interest charged on 31st Jan., 2017 not entered in the cash book ₹ 4,830.
- (iv) Cheques of ₹ 39,156 received on 28.1.2017 entered in cash book but not deposited to bank till 2nd Feb., 2017.
- (v) Cheque received ₹ 90 entered in cash book twice.
- (vi) Bills receivable due on 25.1.2017 was sent to the bank for collection on 26.1.2017 and was entered in the cash book but the proceeds were not credited in pass book till 1.2.2015 ₹ 8,940.
- (vii) A periodic payment made by bank ₹ 120 under standing order not entered in cash book.
- (viii) Cheque deposited on 31st December, 2016 dishonored, but the entry there of not made in the cash book ₹ 5,670.

[Answer : Debit balance as per cash book ₹ 13,248]

6. From the following particulars prepare a Bank Reconciliation Statement as on 30th September, 2015.

- (1) The cash book of firm showed the debit balance of ₹ 15,000.
- (2) Cheque issued ₹ 12,500 out of which cheque worth ₹ 10,000 only were presented for payment.
- (3) A cheque amounted ₹ 3,500 deposited into bank on 28th September, 2016 but had not yet been credited by the bank. In addition to this, one cheque for ₹ 1,250 was entered cash book on 30th September, 2016 but was banked on 3rd October, 2016
- (4) A cheque from Sumit for 1,000 was deposited in the bank on 25th Sept., 2016 but was dishonored and the advice was received on 1st October, 2016.
- (5) Pass Book showed bank charges of ₹ 50 debited by the bank.
- (6) One of the debtor deposited a sum of ₹ 1,250 in the bank account of the firm on 20th September, 2016 but the intimation in this respect was received from the bank on 3rd October, 2016

[Answer : Credit Balance as per pass book ₹ 12,950]

7. From the following information prepare a Bank Reconciliation Statement as on 31st March, 2017. The pass book showed a credit balance of ₹30,000 on 31st March, 2017.
 - (i) Cheques deposited into bank for collection but not yet collected ₹15,000.
 - (ii) Cheque issued but not yet presented for payment ₹ 7,500.
 - (iii) Bank charges ₹ 30 not yet entered in cash book.
 - (iv) Under standing order, the bank paid ₹ 1,500 for rent, which were not entered in cash book.
 - (v) A customer deposited ₹ 4,500 directly in merchant's bank account, which were not yet entered in cash book.

[Answer : Debit balance as per cash book ₹ 34,530]

8. Prepare Bank Reconciliation Statement as on 30th June, 2016 from the following information :
 - (i) Overdraft (debit) as per pass book ₹ 15000.
 - (ii) Cheque deposited into bank for collection on 28 June, 2016 ₹25,000 but out of these, upto 30th June, 2016 ₹ 6,250 were credited by bank.
 - (iii) Bank realized incidental charges ₹ 125.
 - (iv) Cheque issued for ₹ 15,000 but only cheque of ₹ 5,000 were presented before 30th June, 2016.
 - (v) ₹ 1,475 and ₹ 2,375 were to wrong debit entries in the pass book, but ₹ 1,475 has been reversed by the bank before 30th June, 2016.
 - (vi) Transfer by the bank to another accounts of the company without any information ₹ 6,250.

[Answer : Debit balance as per cash book ₹ 2,500]

9. The closing debit balance of cash book (bank column) ₹ 19,200 of M/s Sharma Brothers for the month of June, 2016. On scrutiny of the bank statement you find that :
 - (i) The bank statement shows as overdraft balance at pass book ₹2,480

- (ii) Bank charges of ₹ 700 shown in the bank statement have not been entered in the cash book.
- (iii) A cheque drawn for ₹ 940 has been entered as a receipt in cash book.
- (iv) A cheque of ₹ 360 has been return by the bank but not written back in the cash book.
- (v) The opening balance of cash book had wrongly carried down ₹28,140 at place of ₹ 29,400.
- (vi) Cheque paid to supplier for ₹ 12,280 have been presented to the bank.
- (vii) The last pay-in-slip of the month showing deposit of ₹ 30,840 has not yet been credited by the bank.
- (viii) The bank has debited a cheque for ₹ 1,440 by mistake to the company's account.

You are required to prepare a statement of reconciling the balance in the cash book with the balance as per the bank statement.

10. A cash book and pass book of a trader are given as under, you are required to prepare a Bank Reconciliation Statement on 30th June, 2016 with the help of these books.

Cash Book (Bank Column)

Date	Particulars	(₹)	Date	Particulars	(₹)
2015			2016		
Jan 1	To Balance b/d		23,000	Feb. 6 By D i n e s h	
7,000					
Feb. 7	To Shri Gopal	4,750	Mar.13	By Surendra	1,000
June 3	To Manish	2,000	May 3	By Rajesh	3,000
June10	To Cash	3,000	June 30	By Balance c/d	21,750

Bank Pass Book

Date	Particulars	Debit (Withdrawn)	Credit	Dr / (Deposit)	Balance Cr
(₹)					
2016					
Jan. 1	By Balance b/d	-	-	Cr	23,000
Feb.10	By Cheque	-	4,750	Cr	27,750
Mar.13	To Surendra	1,000		Cr	26,750
May 3	To Rajesh	3,000		Cr	23,750
June10	By Cash	-	3,000	Cr	26,750
June18	To Bank charges	75	-	Cr	26,675
June22	To Insurence Premium		100	-	C r

Answer of objective Questions : 1. (A) 2. (C) 3. (D) 4. (D) 5. (A) 6. (C) 7. (D) 8. (D)