

6. BANK RECONCILIATION STATEMENT

Q. 1. Answer in one sentence.

1) Who prepares a Bank Pass Book?

Ans. Bank Pass Book is prepared by Bank, which is nothing but a copy or extract of ledger account of account holder appearing in the bank ledger.

2) What is Pay-in-Slip?

Ans. When the account holder deposits cheque or cash into his bank account, a slip is filled by him, which is known as Pay-In-Slip also called Deposit Slip.

3) What is Bank Overdraft?

Ans. The amount withdrawn by the current account holder in excess of the balance in his current account up to a predetermined limit decided by the bank on the basis of pre decided conditions, is known as Bank Overdraft.

4) What is Withdrawal Slip?

Ans. A form/slip which is to be filled for withdrawing money from the bank is known as Withdrawal Slip.

5) Who sends the bank statement?

Ans. Bank statement is issued by the bank to the current account holders.

6) What is a debit balance in cash book represent?

Ans. Debit balance of cash book represent bank balance as per cash book.

7) Who prepares Bank Reconciliation Statement?

Ans. Bank Reconciliation Statement is prepared by the proprietor or account holder.

8) What does debit balance in pass book represent?

Ans. Debit balance in pass book indicates bank overdraft as per pass book.

9) On which side is interest on bank deposit recorded in pass book?

Ans. Interest on bank deposit is recorded on credit side of pass book.

10) Why is Bank Reconciliation Statement prepared?

Ans. Bank Reconciliation Statement is prepared to explain the causes of disagreement between the balances shown by the cash book under bank column and the balance shown in the pass book.

Q. 2. Give the word/term or phrase which can substitute each of the following statement.

Statement	Ans.
1) The account on which overdraft facility is allowed by bank.	Current account
2) Extract of ledger account of account holder in the books of bank.	Pass Book
3) Alphanumeric code that facilitates electronic funds transfer in India.	Indian Financial System [IFSC]
4) Statement showing the causes of disagreement between balance of Cash Book and Pass Book.	Bank Reconciliation Statement [BRS]
5) Debit balance in Pass Book.	Overdraft as per pass book
6) A form which is filled for depositing cash or cheque into bank.	Pay-In-Slip
7) Left hand side of Pay-In-Slip.	Counterfoil
8) Credit balance in Cash Book.	Overdraft as per cash book
9) A Book maintained by trader to record banking transactions.	Cash book
10) Excess of bank deposits over Withdrawals by businessman in bank current account.	Bank balance (favourable balance)

Q.3. Do you agree or disagree with the following statements.

1) The bank column of Cash Book represents bank account.

Ans. Agree.

2) Bank statement enables account holder to prepare Bank Reconciliation

Statement.

Ans. **Agree.**

3) Cheques issued for payment but not presented to bank appears in Cash Book only.

Ans. **Agree.**

4) Bank Reconciliation Statement is prepared only during the year end.

Ans. **Disagree.**

5) Bank Reconciliation Statement is similar to bank statement.

Ans. **Disagree.**

6) Bank balance as per Cash Book is always equal to bank balance as per Pass Book.

Ans. **Disagree.**

7) Bank advice is sent by the businessman to bank.

Ans. **Disagree.**

8) Pay-in-slip is used for depositing cheque into bank.

Ans. **Agree**

9) Difference in Cash Book balance and Pass Book balance may arise due to errors committed while recording.

Ans. **Agree**

10) Payment and receipt of cash through internet banking generates automatic proof.

Ans. **Agree**

Q. 4. Select the most appropriate alternative from those given and rewrite the following statements.

1) Overdraft credit means balance of Cash Book.

2) When a cheque is deposited and collected by bank Pass Book is credited.

- 3) A **bank statement** is a summary of financial transactions that take place over a period of time on a bank account.
- 4) Debiting an entry in Cash Book **increases** cash balance.
- 5) Bank Reconciliation Statement is prepared by **businessman**.
- 6) Bank balance as per Pass Book means **credit** balance of Pass Book.
- 7) Bank gives overdraft facility to **current** account holder.
- 8) Debit balance as per Cash Book is also known as **favourable** balance.
- 9) When extracts of Cash Book and Pass Book are given for uncommon periods, only **common** items are considered for preparation of Bank Reconciliation Statement.
- 10) When extract of Cash Book and Pass Book are given for common period, only **uncommon** items are considered for preparation of Bank Reconciliation Statement.

Q.5. Complete the following statements.

- 1) Payments credited in Cash Book are **debited** in Pass Book.
- 2) While preparing Bank Reconciliation Statement only **bank** column of Cash Book is considered.
- 3) Cheques issued to creditors appear first in **cash**.
- 4) A statement showing the reasons for difference in Cash Book balance and Pass Book balance is known as **Bank Reconciliation Statement**.
- 5) Overcast on receipt side of Pass Book means **increase** in Pass Book balance.
- 6) Online transfer made to our creditors appear on the **payment] credit** side of Cash Book.
- 7) Interest on overdraft charged by bank is **debited** in Pass Book.
- 8) Normally the Cash Book shows debit balance and Pass Book shows **credit** balance.
- 9) The form filled for withdrawing cash from bank is known as **withdrawal slip**.

10) A businessman can update his records on receiving **bank advice**.

Q. 6. State whether the following statements are True or False with reasons.

1) Cheques deposited into bank but not yet cleared appears in the Pass Book only.

Ans. This statement is False.

Cheques deposited into bank should be recorded first on the debit side of cash book and after receiving amount by bank, bank will credit it. Thus, uncleared cheques appears in the cash book only.

2) Direct deposit made by debtors into businessman's bank account is recorded on the credit side of pass book.

Ans. This statement is True.

As businessman is unaware of any amount directly deposited by debtors into businessman's bank account. He is not in a position to record it in cash book while it is already recorded on the credit side of pass book.

3) Businessman can prepare Bank Reconciliation Statement only with Cash Book balance.

Ans. This statement is False.

Bank Reconciliation Statement can be prepared with cash book balance or pass book balance or with overdraft by a businessman at the end of specified period.

4) When overdraft as per cash book is given, bank charges debited in pass book only, is to be added.

Ans. This statement is True.

When overdraft as per cash book is given. It means that it is a debt for businessman to bank and bank charges increases the debt towards bank. Therefore it is to be added in the overdraft amount.

5) Bank statement is sent by bank to businessman.

Ans. This statement is True.

As a matter of service, bank provides bank statement to account holder because bank statement is a summary of financial transactions which have taken place over a given period of time between bank and his customer.

Q.7. Draft the following specimen with imaginary name, Account Number and Amount, etc.

1) Bank statement.

With the help of bank statement, account holder is able to know the details of financial transactions with bank, which is also useful for the preparation of Bank Reconciliation Statement.

Specimen of the bank statement: