

BANK RECONCILIATION STATEMENT

MEANING OF BANK RECONCILIATION STATEMENT

Bank Reconciliation Statement is a statement prepared by the account holder on a particular date to reconcile the bank balance as per Cash Book with the balance as per Bank Statement or Bank Pass Book showing entries causing differences between the two balances.

Amount deposited (both cash and cheque) into bank is recorded in the Bank Column of Three-column Cash Book on the debit side (i.e., Receipts Side) while withdrawals and issue of cheques are recorded on the credit side (i.e., Payments side).

Bank also maintains an account of the account holder in its books of accounts. Deposits by the account holder are recorded on the credit side of the account holder's account and withdrawals on the debit side. A copy of it is given to the account holder in the form of Statement or Pass Book for its records and reconciliation.

Thus, debit entries in the Cash Book are reflected on the credit side of the Bank Statement or Bank Pass Book, while credit entries in the Cash Book are reflected on the debit side of the Bank Statement or Bank Pass Book.

Transactions relating to deposits and withdrawals made during the period being recorded in both Cash Book and Bank Statement or Pass Book, balances shown by the two records at the end of the period should normally agree, i.e., should be same. But, sometimes the two balances differ. If the two balances differ, it is necessary to know the reasons for the difference as it may require entry to be passed in the books of accounts. The difference may be because of an error in Cash Book or Bank Statement/Pass Book or cheque issued not having been presented for payment or cheque having been recorded in the Cash Book but not deposited in bank or vice versa or for any other reason. A statement showing the reasons or causes of differences is prepared. This statement is known as Bank Reconciliation Statement.

Preparation of Bank Reconciliation Statement is not a part of Double Entry System of Book Keeping. It is a method or technique to reconcile bank balance in Cash Book with the balance as per Bank Statement Or Bank Pass Book to ensure that errors if any, are corrected and transactions if omitted, are recorded.

NEED AND IMPORTANCE OF BANK RECONCILIATION STATEMENT

Bank Reconciliation Statement is prepared because of the following reasons:

1. It brings to light errors that may have been committed either in the Cash Book or in the Bank Statement or Pass Book.
2. Undue delay in the clearance of cheques deposited is known from the reconciliation.
3. Regular reconciliation discourages embezzlements.
4. Reconciliation helps the management to verify the accuracy of entries recorded in the Cash Book.
5. It shows actual bank balance.

BANK STATEMENT OR BANK PASS BOOK

Bank Statement or Bank Pass Book is a copy of account of the account holder in the books of the bank. It is issued by the bank to the account holder so that entries in the Bank Statement or Bank Pass Book can be compared with the entries in the Cash Book and differences determined. A debit balance in the Bank Statement or Bank Pass Book means an asset for the bank and liability for the account holder, whereas a credit balance means a liability for the bank and an asset for the account holder.

REASONS OF DIFFERENCE BETWEEN BALANCES AS PER CASH BOOK AND BANK STATEMENT OR BANK PASS BOOK

Balances as per Cash Book and Bank Statement or Bank Pass Book may differ under some situations. We can broadly classify these situations into three categories:

1. **Difference Due to Timing:** There is always a time gap between recording a transaction in the books of accounts and it being recorded by the bank. For example, a cheque issued is recorded in the Cash Book immediately but the bank records it when it is presented for payment. Similarly, a cheque deposited is recorded in the Cash Book immediately whereas the bank credits it when it is cleared, i.e., bank has collected the amount. Thus, there is always a time gap in recording entries in the two books, i.e., Cash Book and Bank Statement or Bank Pass Book. If Bank Reconciliation Statement is prepared in between the two dates, differences will exist.
2. **Transactions Recorded by the Bank:** Sometimes transactions are recorded by the bank, which are not known to the account holder. The account holder records it in his/ her books of accounts after receiving the Bank Statement or Pass Book. For example, interest charged or allowed, bank charges, transfer of balance from one account to another. The account holder comes to know about it after receiving the Bank Statement or Pass Book. Such transactions in the Bank Statement lead to a difference between the balance as per Cash Book and balance as per Bank Statement or Bank Pass Book.
3. **Errors:** Errors may be committed by the bank or the account holder and these errors result in difference in the balances of Cash Book and Bank Statement or Pass Book. For example, wrong balance may be carried forward, a transaction may not have been recorded in the Cash Book or a transaction may have been wrongly recorded in an account.

Let us elaborate on the reasons of differences.

1. Difference Due to Timing

- (i) **Cheques Issued but not yet Presented for Payment:** Cheque issued for payment is recorded in the Cash Book immediately on it being issued. But the bank records the entry when the cheque is presented to it for payment. Thus, there is gap of few days between entry in the Cash Book and in the Bank Statement or Bank Pass Book. If Bank Reconciliation Statement is prepared on a date between the date of issue of cheque and its presentation to the bank for payment, difference will arise. Suppose, a cheque of Rs.20,000 is issued on 27th March, 2015 which is presented to the bank on 2nd April, 2015. Issue of cheque will be recorded in the Cash Book on 27th March, 2015 whereas the bank will record it on 2nd April, 2015. On 31st March, 2015, Cash Book balance will be less by Rs.20,000 due to this reason.
- (ii) **Cheques Deposited into the Bank but not yet Cleared:** Cheques deposited into bank are recorded in the bank column on the receipts, i.e., debit side of the Cash Book on the date of deposit. But bank credits the account holder's account when it has received the payment from the other bank, i.e., when cheques have been cleared. Thus, there is gap of few days between the deposit of cheques and credit given by the bank. Therefore, difference will arise on a particular date in the bank balance as per the Cash Book and the Bank Statement.

For example, a cheque of Rs.10,000 is deposited into the bank on 30th March, 2015 which is collected by the bank on 4th April, 2015. If the balances are compared on 31st March, 2015, Cash Book balance will be higher by Rs.10,000.

2. Transactions Recorded by Bank

- (iii) **Interest Credited by the Bank but not Recorded in the Cash Book:** If the bank allows interest to account holder, it credits the account holder's account and his balance would increase in the books of the Bank. But the account holder will record the entry in the Cash Book when it is known to him. Till that time, the balance as per Bank Statement or Pass Book would be higher than the balance as per Cash Book.

- (iv) Bank Charges and Interest Charged by Bank but not Recorded in the Cash Book: Bank renders services to its customers for which it charges an amount called Bank Charges. Similarly, bank provides overdraft facilities for which it charges interest. Bank debits the account holder's account in its books with the amount of Bank Charges or Interest. But, the account holder records the entry in the Cash Book, i.e., credits the bank column in the Cash Book when Bank Statement or Bank Pass Book is received. Till that time, balance as per Bank Statement or Pass Book would be lower than the balance as per Cash Book.
- (v) Interest and Dividends Collected by the Bank: Bank collects interest and dividend on behalf of the account holders and credit them to the account holders' account. The account holder records it in the Cash Book when Bank Statement or Bank Pass Book is received from the bank. Till that time, balance as per the Bank Statement or Bank Pass Book will be higher than the balance as per Cash Book.
- (vi) Direct Payments by the Bank: Bank may have been given standing instructions for payments such as for insurance premium. When the bank makes the payments, it debits the account holder's account. In this case also the account holder may come to know of the payment when Bank Statement or Bank Pass Book is received and record it in the books of account. Till that time, balance as per Bank Statement or Bank Pass Book will be lower than the balance as per Cash Book.
- (vii) Direct Deposit into Bank by a Customer: If payment is received by the bank directly, it will record it in the account holder's account. The account holder will record it at a later date when he receives the Bank Statement or Pass Book. Till that time Bank Statement or Bank Pass Book will show higher balance.
- (viii) Dishonour of a Bill Discounted with the Bank: If the bank does not collect payment against Bills of Exchange or Promissory Notes discounted by it, it will debit the account holder's account along with charges that it may have incurred. The account holder may record the amount debited when Bank Statement or Bank Pass Book is received. Till the time such entry is recorded, the balance as per Cash Book will be higher than that of Bank Statement or Bank Pass Book.
- (ix) Bills Collected by the Bank on behalf of the Customer: If goods are sold, its documents may be sent through the bank. If the bank collects the amount, it will credit the account holder's account. The account holder will record the entry when Bank Statement or Bank Pass Book is received.

3. Errors

- (x) Errors and Omissions: Errors and Omissions either in the Cash Book or in the Bank Statement or Bank Pass Book is another reason for difference between the balances as per Cash Book and Bank Statement or Pass Book. It is possible that while recording the transactions in the Cash Book, a cheque of Rs.1,000 deposited into the bank is recorded as Rs.10,000 or Bank Column in the Cash Book is over or under casted. Similarly, the bank may also commit a mistake while recording the transactions in the Bank Statement or Bank Pass Book. For example, a cheque collected on behalf of Mohan is entered in the account of Mahesh. Such errors would also lead to differences in the balances between balances as per Cash Book and Bank Statement or Bank Pass Book.

Practical Question

Que 1 Bank column of the Cash Book showed a debit balance of Rs.49,000 on 30th June, 2015. Bank Statement or Pass Book showed credit balance of Rs.37,400. Entries in the Cash Book and Pass Book were compared and following differences were noticed:

- (i) Cheques of Shyam Rs.9,000 and of Mohan Rs.15,000 were deposited but were not collected up to 30th June, 2015.
- (ii) Ramesh, a debtor, deposited a cheque of Rs.8,000 directly into the bank.
- (iii) Bank allowed an interest of Rs.500.
- (iv) Cheque for Rs.10,000 issued to Radhey Shyam was not presented for payment.
- (v) Bank debited the account by Rs.6,000, being insurance premium paid as per standing instruction.
- (vi) Bank debited the account by Rs.100, being bank charges.

You are required to prepare Bank Reconciliation Statement as on 30th June, 2015.

Answer: ₹ 37,400

Que 2 From the following particulars ascertain the balance that would appear in the Bank Pass Book of A on 31st December, 2011.

- (1) The bank overdraft as per Cash Book on 31st December, 2011 ₹ 6,340.
- (2) Interest on overdraft for 6 months ending 31st December, 2011 ₹ 160 is entered in Pass Book.
- (3) Bank charges of ₹ 30 are debited in the Pass Book only.
- (4) Cheques issued but not cashed prior to 31st December, 2011, amounted to ₹ 1,168.
- (5) Cheques paid into bank but not cleared before 31st December, 2011 were for ₹ 2,170.
- (6) Interest on investments collected by the bank and credited in the Pass Book ₹ 1,200.

Answer: ₹ 6,332

Que 3 From the following information, prepare a Bank reconciliation statement as at 31st December, 2011 for Messrs New Steel Limited :

	₹
(1) Bank overdraft as per Cash Book on 31st December, 2011 ,	2 45,900
(2) Interest debited by Bank on 26th December, 2011 but no advice received	27,870
(3) Cheque issued before 31st December, 2011 but not yet presented to Bank	66,000
(4) Transport subsidy received from the State Government directly by the Bank but not advised to the company	42,500
(5) Draft deposited in the Bank, but not credited till 31st December, 2011	13,500
(6) Bills for collection credited by the Bank till 31st December, 2011 but no advice received by the	

Company	83,600
(7) Amount wrongly debited to company account by the Bank, for which no details are available	7,400

Answer: ₹ 1,02,570

Que 4 From the following information (as on 31.3.2011), prepare a bank reconciliation statement after making necessary amendments in the cash book.

	Amount (₹)
Bank balances as per the cash book (Dr.)	3,25,000
Cheques deposited, but not yet credited	4,47,500
Cheques issued but not yet presented for payment	3,56,200
Bank charges debited by bank but not recorded in the cash-book	1,250
Dividend directly collected by the bank	12,500
Insurance premium paid by bank as per standing instruction not intimated	15,900
Cash sales wrongly recorded in the Bank column of the cash-book	25,500
Customer's cheque dishonoured by bank not recorded in the cash-book	13,000
Wrong credit given by the bank	15,000

Also show the bank balance that will appear in the trial balance as on 31.3.2011.

Answer Rs. 2,05,550

Que 5 The following are the Cash Book and Pass Book of Jain for the month of March, 2011 and April, 2011.

Cash Book (Bank Column Only)

Dr.

Date	Particulars	Amount(₹)	Date	Particulars	Amount(₹)
01/3/2011	To Balance b/d	6,000	03/3/2011	By Cash A/c	2,000
06/3/2011	To Sales A/c	3,000	07/3/2011	By Modi	6,000
10/3/2011	To Ram	6,500	12/3/2011	By Patil	3,000
18/3/2011	To Singhal	2,700	18/3/2011	By Suresh	4,000
25/3/2011	To Goyal	3,300	24/3/2011	By Ramesh	1,500
31/3/2011	To Patel	6,500	31/3/2011	By Balance c/d	11,500
		<u>28,000</u>			<u>28,000</u>

Pass Book

Date	Particulars	Amount Dr.(₹)	Amount Cr. (₹)	Dr. or Cr.	Balance (₹)
1/4/2011	By Balance b/d		3,200	Cr.	3,200
3/4/2011	By Goyal		3,300	Cr.	6,500
5/4/2011	By Patel		6,500	Cr.	13,000
7/4/2011	To Naresh	2,800		Cr.	10,200
12/4/2011	To Ramesh	1,500		Cr.	8,700
15/4/2011	To Bank Charges	200		Cr.	8,500

20/4/2011	By Usha		1,700	Cr.	10,200
25/4/2011	By Kalpana		3,800	Cr.	14,000
30/4/2011	To Sunil	6,200		Cr.	7,800

Reconcile the balance of cash book on 31/3/2011.

Que 6 You are given the following particulars:

- (i) Dr. Balance in the bank column as per the cash book on 31st March, 2016 was Rs. 50,000.
- (ii) Cheques and drafts deposited into the bank but not collected Rs. 5,000.
- (iii) Cheques of Rs. 10,000 were issued but not presented for payment.
- (iv) Bank Charges for Rs. 50 for expenses which were not yet entered in the cash book.
- (v) Interest on investment Rs. 3,000 was collected by the bank but not entered in the cash book.

Pass the necessary entries in the Cash book and then prepare a Bank reconciliation Statement on 31st March 2016.

Ans: Amended Cash Book Balance Rs. 52,950 and Pass Book Balance Rs. 57,950.

Que 7 From the following Particulars, ascertain the bank balance as per the pass book as on 31st March, 2016.

- (a) Without adjusting the cash book balance and
- (b) After adjusting the cash book balance:

- (i) The Bank Balance as per the Cash book on 31st March, 2016 Rs. 80,000.
- (ii) Cheques issued but not presented up to 31st March, 2016 to Rs. 20,000.
- (iii) Cheques paid into bank but not cleared upto 31st March 2016 amounted to Rs. 30,000.
- (iv) Interest on Investments collected by the bank but not entered in Cash book Rs. 1,000.
- (v) Cheques deposited in the bank but not entered in the cash book Rs. 25,000.
- (vi) Bank Charges debited in the pass book but not entered in the cash book Rs. 200.

Ans: Amended Cash Book Balance Rs. 1,05,800 and Pass Book Balance Rs. 95,800

Que 8 Jagdeep singh's Cash book on 31st March, 2016 showed an overdraft balances of Rs. 12,100 on his account No. 1 at the bank. On Investigation it is found that:

- (i) Cheques drawn amounting Rs. 4,200 had not been presented to the bank for payment.
- (ii) Cheques for Rs. 3,600 entered in the cash book and paid into the bank had not been credited by the bank.
- (iii) The receipts side of the cash book had been undercast by Rs. 1,000.
- (iv) Bank Charges of Rs. 50 entered in the bank statement had not been entered in the cash book.

- (v) A cheque for Rs.5,200 drawn on the Account No. 1 had been charged by the bank wrongly to Account No. 2.
- (vi) A dividend for Rs. 300 paid directly to the bank had not been entered in the cash book.
- (vii) A cheque for Rs. 700 received from a debtor paid into the bank, dishonoured and shown as such by the bank but no entry of dishonour had been made in the cash book.
- (viii) A cheque for Rs. 420, drawn by another customer of the bank bearing the same name had been charged to Jagdeep singh's Bank account by error.

You are required to :

- (a) Show the necessary adjustments to be made in the cash book; and
 (b) Prepare a Bank reconciliation Statement for Account No. 1 and as on 31st March 2016.

Ans: Amended Cash Book Balance Rs. 11,550 and Pass Book Balance Rs.6,170.

Ques.9 The Bank Pass Book of Account No. 5678 of Mrs. Rani showed an overdraft of ₹33,575 on 31st March, 2018. On going through the Pass Book, the accountant found the following:

- (i) A Cheque of ₹1,080 credited in the pass book on 28th March, 2018 being dishonoured is debited again in the pass book on 1st April, 2018. There was no entry in the cash book about the dishonour of the cheque until 15th April, 2018.
- (ii) Bankers had credited her account with ₹2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.
- (iii) Out of ₹20,500 paid in by Mrs. Rani in cash and by cheques on 31st March, 2018 cheques amounting to ₹7,500 were collected on 7th April, 2018.
- (iv) Out of Cheques amounting to ₹7,800 drawn by her on 27th March, 2018 a cheque for ₹2,500 was encashed on 3rd April 2018.
- (v) Bankers seems to have given her wrong credit for ₹500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹300 against her account No. 8765.
- (vi) A cheque for ₹1,000 entered in Cash Book but omitted to be banked on 31st March, 2018.
- (vii) A Bill Receivable for ₹5,200 previously dishonoured (Discount ₹200) with the Bank had been dishonoured but advice was received on 1st April, 2018.
- (viii) A Bill for ₹10,000 was retired/paid by the bank under a rebate of ₹175 but the full amount of the bill was credited in the bank column of the Cash Book.
- (ix) A Cheque for ₹2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2018.

Prepare Bank Reconciliation Statement as on 31st March, 2018.

10 MARKS (CA FOUND. MAY 2018)

Ans : 27,950

Que 10 Prepare Bank Reconciliation Statement from the following particulars as on 31st March, 2018.

Particulars	(₹)
Debit balance as per bank column of the cash book	18,60,000
Cheque issued to creditors but not yet presented to the Bank for payment	3,60,000
Dividend received by bank but not entered in the Cash Book	2,50,000
Interest allowed by the Bank	6,250
Cheques deposited into Bank for collection but not collected by bank up to this date	7,70,000
Bank charges not entered in Cash Book	1,000
A Cheque deposited into bank was dishonoured, but no intimation received	1,60,000
Bank paid house tax on our behalf, but no intimation receive from bank in this connection	1,75,000

10 MARKS (CA FOUND. NOV 2018)

Ans: ₹ 13,70,250

Que 11 Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2018 from the particulars given below:

- (i) The Bank Pass Book had a debit balance of ₹25,000 on 30th June, 2018.
- (ii) A cheque worth ₹400 directly deposited into Bank by a customer but no entry was made in the Cash Book.
- (iii) Out of cheques issued worth ₹34,000, cheques amounting to ₹20,000 only were presented for payment till 30th June, 2018.
- (iv) A cheque for ₹4,000 received and entered in the Cash Book but it was not sent to the Bank.
- (v) Cheques worth ₹20,000 had been sent to bank for collection but the collection was reported by the bank as under.
 - (1) Cheques collected before 30th June, 2018, ₹14,000
 - (2) Cheques collected on 10th July, 2018, ₹4,000.
 - (3) Cheques collected on 12th July, 2018, ₹2,000.
- (vi) The bank made a direct payment of ₹600 which was not recorded in the Cash Book.
- (vii) Interest on Overdraft charged by the bank ₹1,600 was not recorded in the Cash Book.
- (viii) Bank charges worth ₹80 have been entered twice in the Cash Book whereas Insurance Charges for ₹70 directly paid by bank was not at all entered in the Cash Book.
- (ix) The credit side of bank column of Cash Book was undercast by ₹2,000. **10 MARKS (CA FOUND. JUNE 2019)**

Ans: ₹ 25,210

Que 12 On 30th September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of ₹8,062. An examination of the Cash book and Bank Statement reveals the following:

- (i) A cheque of ₹11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.
- (ii) a payment by cheque for ₹18,000 has been entered twice in the Cash Book.
- (iii) On 29th September, 2018, the bank credited an amount of ₹1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.
- (iv) Bank charges amounting to ₹280 had not been entered in the cash book.
- (v) On 6th September 2018, the bank credited ₹30,000 to XYZ in error.
- (vi) A bill of exchange for ₹1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.
- (vii) Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled ₹13,46,000.
- (viii) A bill payable of ₹2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹60,000 had been discounted with the bank at a cost of ₹1,000 which had also not been recorded in cash book.

You are required:

To show the appropriate rectifications required in the cash book of XYZ, to arrive at the correct balance on 30th September, 2018 and to prepare a Bank Reconciliation Statement as on that date.

10 MARKS (CA FOUND. NOV 2019)

Ans: Bal c/d 1,75,942 and PASS book 86,058

Study Material Question

ILLUSTRATION 1

Prepare Bank Reconciliation Statement from the following particulars and show balance as per Cash Book:

- (i) Balance as per Pass Book on 31st March, 2017 overdrawn ₹10,000.
- (ii) Cheques drawn in the last week of March, 2017 but not cleared till 3rd April, 2017 ₹20,000.
- (iii) Interest on bank overdraft not entered in the Cash Book ₹1,500.
- (iv) Cheques of ₹20,000 deposited in the bank in March, 2017 but not collected and credited till 3^{rs} April, 2017.
- (v) ₹100 Insurance Premium paid by the bank under a standing order has not been entered in the Cash Book.

(vi) A draft of ₹10,000 favouring Atul & Co. was issued by the bank charging commission of ₹200. However, in the cash Book entry was passed by ₹10,000

Ans: The balance as per pass book is ₹2,86,950.

ILLUSTRATION 2

From the following particulars, prepare a Bank Reconciliation Statement for Jindal offset Ltd.

- (1) Balance as per cash book is ₹2,40,000
- (2) Cheques issued but not presented in the bank amounts to ₹1,36,000.
- (3) Cheques deposited in bank but not yet cleared amounts to ₹90,000.
- (4) Bank charges amounts to ₹300.
- (5) Interest credited by bank amounts to ₹1,250.
- (6)

SOLUTION

Bank Reconciliation Statement

Particulars	Amount ₹
Balance as per cash book	2,40,000
Add: Cheque issued but not presented	1,36,000
Interest credited	1,250
	3,77,250
Less: Cheque deposited but not yet cleared	(90,000)
Bank charges	(300)
Balance as per pass book	2,86,950

ILLUSTRATION 3

On 31st March 2017, the Bank Pass Book of Namrata showed a balance of ₹1,50,000 to her credit while balance as per cash book was ₹1,12,050. On scrutiny of the two books, she ascertained the following causes of difference:

- 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 credit an interest of ₹1,500 while charging ₹250 as bank charges.

Prepare a bank reconciliation statement.

SOLUTION

Bank Reconciliation Statement as on 31st March 2017

Particulars	Details (₹)	Amount (₹)
Balance as per Pass Book (Cr.)		1,50,000
Add: Cheque deposited but not yet cleared	22,000	
Add: Cheque recorded in Cash Book but not yet deposited	5,000	
Add: Bank Charges debited by bank	250	27,250
Less: Cheque issued but not yet presented	48,000	
Less: Amount deposited but not recorded in Cash Book	15,700	
Less: Interest allowed by bank	1,500	65,200
Balance as per Cash Book		1,12,050

ILLUSTRATION 4

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

- (1) The bank overdraft as per Cash Book on 31st December, 2017 ₹6,340.
- (2) Interest on overdraft for 6 months ending 31st December, 2017 ₹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, 2017, amounted to ₹11,68,000.
- (5) Cheques paid into bank but not cleared before 31st December, 2017 were for ₹22,17,000.
- (6) Interest on investments collected by the bank and credited in the Pass Book ₹12,00,000.

SOLUTION**Bank Reconciliation Statement As on 31st December, 2017**

Particulars	Amount ₹
Overdraft as per Cash Book	6,340
Add: Interest debited in the Pass Book but not yet entered in the Cash Book	160
Add: Bank charges debited in the Pass Book but not entered in the Cash Book	400
Add : Cheques deposited but not yet credited in the Pass Book	22,17,000
	22,23,900
Less: Cheques issued but not yet presented	(11,68,000)
Less: Interest collected and credited by bank but not yet entered in Cash Book	(12,00,000)
Overdraft as per Pass Book	1,44,100

The above illustration can also be presented with the column for "Plus" and "Minus."

Particulars	Plus Amount ₹	Minus Amount ₹
Overdraft as per Cash Book		6,340
Interest debited in Pass Book but not yet in Cash Book		160
Cheque issued but not yet presented	11,68,000	
Cheques paid in but not yet credited by the Bank		22,17,000
Bank charges		400
Interest collected and credited by the Bank in the Pass Book but not yet entered in Cash Book	12,00,000	23,68,000
Overdraft as per Pass Book (₹23,68,000 – 22,23,900)	1,44,100	
Total	22,23,900	22,23,900

ILLUSTRATION 5

On 30th September, 2017, the bank account of X, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹4,062. On the same date the bank statement showed a debit balance of ₹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, 2017 was credited by the bank only on 3rd October, 2017
2. A payment by cheque for ₹16,000 has been entered twice in the Cash Book.
3. On 29th September, 2017, the bank credited an amount of ₹1,17,400 received from a customer of X, but the advice was not received by X until 1st October, 2017.
4. Bank charges amounting to ₹580 had not been entered in the Cash Book.
5. On 6th September, 2017, 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, 2017 but no entry had been made in the books of X.
7. Cheques issued upto 30th September, 2017 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, 2017 and
- (b) to prepare a bank reconciliation statement as on that date.

SOLUTION**(a) Cash Book (Bank Column)**

Date 2017	Particulars	₹	Date 2017	Particulars	₹
Sept. 30	To Party A/c	16,000	Sept. 30	By Balance b/d	4,062
	To Customer A/c (Direct deposit)	1,17,400		By Bank charges	580
	To Balance c/d	11,242		By Customer A/c (B/R dishonoured)	1,40,000
		1,44,642			1,44,642

(b) Bank Reconciliation Statement as on 30th September, 2017

Particulars	Amount ₹
Overdraft as per Cash Book	11,242
Add: Cheque deposited but not collected upto 30th September, 2017	13,14,000
	13,25,242
Less: Cheques issued but not presented for payment upto 30th September, 2017	(13,26,000)
Credit by Bank erroneously on 6th September	(20,000)
Overdraft as per bank statement	20,758

Note: Bank has credited X by 20,000 in error on 6th September, 2017. If this mistake is rectified in the bank statement, then this will not be deducted in the above statement along with ₹13,26,000 resulting in debit balance of ₹758 as per pass-book.

ILLUSTRATION 6

On 30th December, 2017 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:

- Cheques amounting to ₹6,30,000 which were issued to trade payables and entered in the cash book before 30th December, 2017 were not presented for payment until that date.
- Cheques amounting to ₹2,50,000 had been recorded in the cash book as having been paid into the bank on 30th December, 2017, but were entered in the bank statement on 1st January, 2018.
- A cheque for ₹73,000 had been dishonoured prior to 30th December, 2017, but no record of this fact appeared in the cash book.
- A dividend of ₹3,80,000, paid direct to the bank had not been recorded in the cash book.
- Bank interest and charges amounting to ₹4,200 had been charged in the bank statement but not entered in the cash book.
- No entry had been made in the cash book for a trade subscription of ₹10,000 paid vide banker's order in November, 2017.
- A cheque for ₹27,000 drawn by B. Philip had been charged to A. Philip's bank account by mistake in December, 2017.

You are required:

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

SOLUTION

(a) A. Philip

Cash Book (Bank column)

Date 2017	Particulars	₹	Date 2017	Particulars	₹
Dec. 30	To Balance b/d	4,610	Dec. 30	By Trade receivables- dishonoured Cheque	73,000
	To Dividend received	3,80,000		By Bank interest and charges	4,200
				By Trade Subscription	10,000
			Dec. 31	By Balance c/d	2,97,410
		3,84,610			3,84,610
2018 Jan1	To Balance b/d	2,97,410			

(b) Bank Reconciliation Statement as at 30th December, 2017

Particulars	Amount ₹
Balance per cash book	2,97,410
Add: Cheques not yet presented	6,30,000
	9,27,410

Deduct: Lodgement not yet recorded by bank	(2,50,000)
	6,77,410
Deduct: Cheque wrongly charged	(27,000)
Balance as per the bank statement	6,50,410

ILLUSTRATION 7

From the following information, prepare a Bank reconciliation statement as at 31st December, 2017 for Messrs New Steel Limited:

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

SOLUTION

M/s. New Steel Ltd.

Bank Reconciliation Statement as on 31st Dec. 2017

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

ILLUSTRATION 8

The Cash Book of Mr. Gadbadwala shows ₹8,36,400 as the balance at Bank as on 31st December, 2017, 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, 2017 the payment side of the Cash Book was undercast by ₹10,000.
- (2) A cheque for ₹1,31,000 issued on 25th December, 2017 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, 2017 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, 2017, 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

(If the books are not closed on 31st December, 2017)

Bank Reconciliation Statement of Mr. Gadbadwala as on 31st Dec., 2017

Particulars		Details ₹	Amount
Balance as per the Cash Book			8,36,400
Add: Mistake in bringing forward ₹15,260 debit balance as credit balance on 18th Dec., 2017		30,520	
Cheques issued but not presented:	₹		

Issued	11,514		
Cashed	7,815	3,699	
Particulars		Details ₹	Amount
Dividends directly collected by bank but not yet entered in the Cash Book		25,000	
Cheque recorded twice in the Cash Book		3,50,000	
Deposit not recorded in the Bank column		1,50,000	5,59,219
			13,95,619
Less: Wrong casting in the Cash Book on 15th Dec.		10,000	
Cheques issued but not entered in the Bank column		1,31,000	
Subscription paid by the bank directly not yet recorded in the Cash Book		1,000	(1,42,000)
Balance as per the Pass Book			12,53,619

If the books are to be closed on 31st December, then adjusted cash book will be prepared as given below:

ADJUSTED CASH BOOK

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	8,36,400	By wrong casting	10,000
To error for wrong posting	30,520	By cheques not entered	1,31,000
To dividends collected by bank	25,000	By subscription	1,000
To cheques recorded twice	3,50,000	By balance c/d	12,49,920
To deposit not recorded	1,50,000		
	13,91,920		13,91,920

Bank Reconciliation Statement

Particulars	₹
Balance as per the Cash Book (corrected)	12,49,920
Add: Cheques issued but not yet presented	3,699
Balance as per the Pass Book	12,53,619

ILLUSTRATION 9

The following are the Cash Book (bank column) and Pass Book of Jain for the months of March, 2017 and April, 2017:

Cash Book (Bank Column only)

Date	Particulars	₹	Date	Particulars	₹
01/3/2017	To Balance b/d	60,000	03/3/2017	By Cash A/c	2,00,000
06/3/2017	To Sales A/c	3,00,000	07/3/2017	By Modi	60,000
10/3/2017	To Ram	65,000	12/3/2017	By Patil	30,000
18/3/2017	To Singhal	2,70,000	18/3/2017	By Suresh	40,000
25/3/2017	To Goyal	33,000	24/3/2017	By Ramesh	1,50,000
31/3/2017	To Patel	65,000	30/3/2017	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 ₹
1/4/2017	By Balance b/d		3,65,000	Cr.	3,65,000
3/4/2017	By Goyal		33,000	Cr.	3,98,000
5/4/2017	By Patel		65,000	Cr.	4,63,000
7/4/2017	To Naresh	2,80,000		Cr.	1,83,000
12/4/2017	To Ramesh	1,50,000		Cr.	33,000
15/4/2017	To Bank Charges	200		Cr.	32,800
20/4/2017	By Usha		17,000	Cr.	49,800
25/4/2017	By Kalpana		38,000	Cr.	87,800

30/4/2017	To Sunil	6,200		Cr.	81,600
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Reconcile the balance of cash book on 31/3/2017.

SOLUTION

1. On scrutiny of the debit side of the Cash Book of March 2017 and receipt side of the Pass Book of April, 2017 reveals that two cheques deposited in Bank (Goyal ₹33,000 and Patel ₹65,000) in March were not credited by the Bank till 31/3/2017

2. On scrutiny of the credit side of the cash book and payment side of the Pass Book reveals that a cheque issued to Ramesh for ₹1,50,000 in March 2017, had not been presented for payment in Bank till 31/3/2017. Therefore, the Bank Reconciliation statement on 31/3/2017 will appear as follows:

Bank Reconciliation Statement as on 31/3/2017

Particulars	Amount ₹
Balance as per the Cash Book	3,13,000
Add : Cheque issued but not presented for payment	1,50,000
	4,63,000
Less: Cheque deposited but not credited by Bank	(98,000)
Balance as per the Pass Book	3,65,000

ILLUSTRATION 10

When Nikki & Co. received a Bank Statement showing a favourable balance of ₹10,39,200 for the period ended on 30th June, 2017, this did not agree with the balance in the cash book. An examination of the Cash Book and Bank Statement disclosed the following :

1. A deposit of ₹3,09,200 paid on 29th June, 2017 had not been credited by the Bank until 1st July, 2017.
2. On 30th March, 2017 the company had entered into hire purchase agreement to pay by bank order a sum of ₹3,00,000 on the 10th of each month, commencing from April, 2017. No entries had been made in Cash Book.
3. A customer of the firm, who received a cash discount of 4% on his account of ₹4,00,000 paid the firm a cheque on 12th June. The cashier erroneously entered the gross amount in the bank column of the Cash Book.
4. Bank charges amounting to ₹3,000 had not been entered in Cash-Book.
5. On 28th June, a customer of the company directly deposited the amount in the bank ₹4,00,000, but no entry had been made in the Cash Book.
6. ₹11,200 paid into the bank had been entered twice in the Cash Book.
7. A debit of ₹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, 2017.

Prepare Bank Reconciliation Statement on 30 June, 2017.

SOLUTION

Bank Reconciliation Statement on 30 June, 2017

Particulars	Details ₹	Amount ₹
Balance as per the Pass Book		10,39,200
Add: Deposited with bank but not credited	3,09,200	
Payment of Hire Purchase instalments not entered in the Cash Book (₹3,00,000 x 3)	9,00,000	
Discount allowed wrongly entered in bank column	16,000	
Bank charges not entered in the Cash Book	3,000	
Deposit entered in the Cash Book twice	11,200	
Cheque returned 'out of date' entered in the Cash Book	<u>11,00,000</u>	23,39,400
		33,78,600
Less: Direct deposit by customer not entered in the Cash Book		(4,00,000)
Balance as per the Cash Book		29,78,600

ILLUSTRATION 11

The bank account of Mukesh was balanced on 31st March, 2017. It showed an overdraft of ₹5,000. This did not agree with the balance shown by bank statement of Mukesh. You are required to prepare a bank reconciliation statement taking the following into account :

- (1) Cheques issued but not presented for payment till 31.3.2017 ₹12,00,000.
- (2) Cheques deposited but not collected by bank till 31.3.2017 ₹20,00,000.
- (3) Interest on term-loan ₹10,00,000 debited by bank on 31.3.2017 but not accounted in Mukesh's book.
- (4) Bank charges ₹2,500 was debited by bank during March, 2017 but accounted in the books of Mukesh on 4.4.2017.
- (5) An amount of ₹30,68,000 representing collection of Mukesh's cheque was wrongly credited to the account of Mukesh by the bank in their bank statement.

SOLUTION**In the books of Mukesh****Bank Reconciliation Statement as on 31.3.2017**

Particulars	Details	Amount ₹
Overdraft as per the cash book		5,000
Add: Cheques deposited in bank but not collected and credited by bank till 31.3.2017	20,00,000	
Interest on term loan not accounted in books	10,00,000	
Bank charges not accounted in books	<u>2,500</u>	30,02,500
		30,07,500
Less: Cheques issued but not presented for payment till 31.3.2017		(12,00,000)
		18,07,500
Less: Erroneous credit by bank to Mukesh's account		(30,68,000)
Balance as per the bank statement		(12,60,500)

ILLUSTRATION 12 From the following information (as on 31.3.2017), prepare a bank reconciliation statement after making necessary amendments in the cash book:

Particulars	₹
Bank balances as per the cash book (Dr.)	32,50,000
Cheques deposited, but not yet credited	44,75,000
Cheques issued but not yet presented for payment	35,62,000
Bank charges debited by bank but not recorded in the cash-book	12,500
Dividend directly collected by the bank	1,25,000
Insurance premium paid by bank as per standing instruction not intimated	15,900
Cash sales wrongly recorded in the Bank column of the cash-book	2,55,000
Customer's cheque dishonoured by bank not recorded in the cash-book	1,30,000
Wrong credit given by the bank	1,50,000

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

SOLUTION**Cash Book as on 31.3.2017****(After making necessary amendments)**

Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	32,50,000	By Bank charges	12,500
To Dividend	1,25,000	By Insurance premium	15,900
		By Trade receivables (cheque dishonoured)	1,30,000
		By Cash A/c (wrongly recorded cash sales)	2,55,000
		By Balance c/d	29,61,600
	33,75,000		33,75,000

Bank Reconciliation Statement as on 31.3.2017

Particulars	Details	Amount ₹
Bank balance as per the cash book		29,61,600
Add: Cheques issued but not yet presented for payment	35,62,000	

Wrong credit given by bank	<u>1,50,000</u>	37,12,000
		66,73,600
Less: Cheques deposited but not yet credited by bank		(44,75,000)
Balance as per the pass book		21,98,600

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

Note: Cash sales should have been recorded by passing the following entry:

Cash A/c Dr	2,55,000
To Sales A/c	2,55,000

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

Cash A/c Dr	2,55,000
To Bank A/c	2,55,000

ILLUSTRATION 13

On 31st March, 2017 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, 2017 although they were banked on 25.03.2017.
- Interest allowed by bank ₹4,500

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

SOLUTION

Bank Reconciliation Statement as on 31st March, 2017

Particulars	Details ₹	₹	Amount ₹
Credit balance as per the pass book			15,65,000
Add: Cheques deposited into bank but not yet collected	A: 5,15,000		
	B: <u>12,500</u>	5,27,500	
Bank charges debited by the bank		<u>350</u>	5,27,850
			20,92,850
Less: Cheques issued but not presented for payment	X: 60,000		
	Y: <u>3,84,000</u>	4,44,000	
Direct deposit of cash in bank by Z		1,816	
Interest allowed by the bank		<u>4,500</u>	(4,50,316)
Debit balance as per the cash book			16,42,534