

Bank Reconciliation Statement

1. Introduction

A. Cash Book

It is a book of Primary entry in which Cash and bank transactions of a business are recorded.

B. Pass Book / Bank Statement

It is a notebook which is merely a copy of the customer's account in the bank.

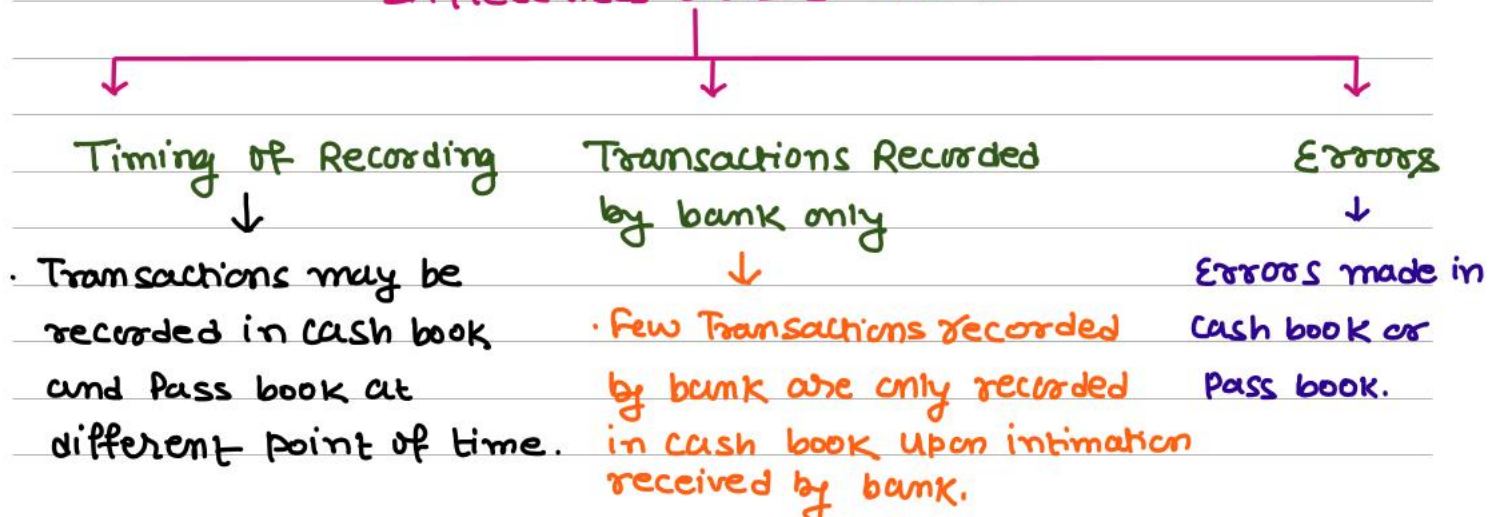
Note:- Balance as per bank column of Cash book and Pass book should be matched as Pass book is merely a copy of bank column of cash book. However, there may be a situation where there is difference between the two. So, to find out the reasons and to reconcile them, we prepare BRS.

C. Bank Reconciliation Statement [BRS]

It 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 Pass book, showing the reason for differences.

2. Reasons For Differences

Differences arises due to

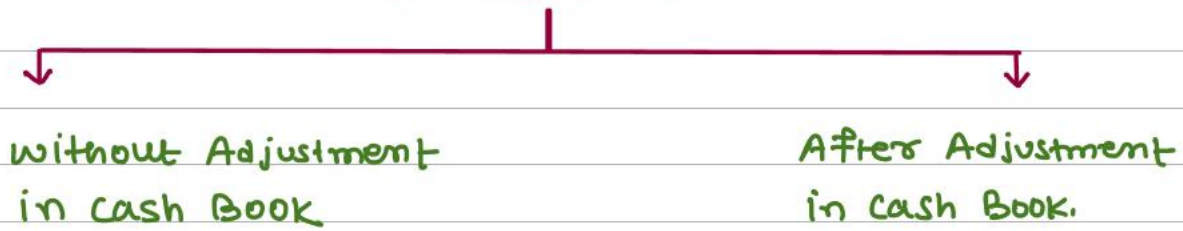


3. Effect of Differences

Reason	Cash Book	Pass Book
1. Timing Differences		
a. Cheque deposited but not credited/ Cleared by bank	+	-
b. Cheque issued but not presented for payment.	-	+
2. Transactions Recorded by bank only		
a. Payments made by bank on standi ng instruction of the account holder. • Payment of Bills • Insurance Premium • Repayment of loans, etc.	+	-
b. Bank Charges / interest on overdraft debited by bank.	+	-
c. Cheque / Bills Receivable Dishonoured	+	-
d. Deposit made by debtors into bank directly.	-	+
e. Dividend / Interest Collected by bank.	-	+
f. Interest credited by bank.	-	+
3. Errors		
• Clerical errors should be checked [Omission / Commission errors, etc.]		

4. Methods of Reconciliation

Method for BRS



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- Prepare BRS by taking into consideration all adjustments.

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- Under this method cash book should be adjusted by adjusting transactions recorded by bank only and errors made by the account holder.

- After adjusting cash book, prepare BRS by taking remaining adjustments.

- Following adjustments should not be adjusted in cash book i.e., reconcile through BRS only -

- Cheque deposited but not yet credited by bank.
- Cheque issued but not yet presented for payment
- Errors made by bank, if any.

Note:-

i) If reconciliation done at the end of year then adjusting cash book is mandatory.

ii) BRS can be prepared in two formats -

- Balance Presentation and
- Plus & minus Presentation.

5. Timing of Recording of transactions in Cash Book and Pass Book.

Transaction	Cash Book	Pass Book
1. Cheque deposited	At the time of depositing into bank.	At the time of collection of amount from issuer.
2. Cheque issued	At the time of issuing Cheque	At the time of presenting cheque to the bank for payment.
3. Collection or Payment of bill/Cheque directly by the bank or any direct payment by the bank as per the instruction of account holder.	When comes into notice of the Account holder.	When amount collected or paid by the bank.
4. Dishonour of bill/ Cheque	When comes into notice of the Account holder.	At the time of dishonour.
5. Bank charges or interest debited by bank	When comes into notice of the Account holder.	At the time of charging.
6. Interest/Dividend Collected by bank	When comes into notice of the Account holder.	At the time of receiving by bank.