

BANK RECONCILIATION STATEMENT

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The Kite gives a wonderful message. Fly high & high. But stay connected to the ground to our roots or else you will be lost.

ACTIVITIES OF BANK

Acceptance of Deposits	Bank accepts various deposits like Term Deposits, Fixed Deposits, Recurring deposits etc.
Loans	Lending of money is the major revenue earning activity for a bank, e.g., Machinery loan, Housing loan, Vehicle loan and Personal loan etc.
Discounting	Discounting is a process by which the Bank enables its customer to receive the cash before the due date, in consideration of a small charge called discount, e.g.. Bills of Exchange/Pro-Note Discounting.
Overdraft	Bank allows overdrafts to its good customers so that they can make payment even when they do not have sufficient balance in their account at the Bank.
Guarantee	The Bank furnishes securities or guarantee for its customers whose credit is good. The Bank charges commission for this service.
Standing Instructions	As per the instructions of the customer and on his behalf, a Bank makes payment to various parties on the due date, e.g. Telephone Bills, Insurance Premium, Credit Card Dues, etc.
Demand Draft	Banks issue Demand Draft based on its customer's request. Demand Draft is also called as Banker's Cheque, Pay Order, etc. in some cases.

BANK PASS BOOK OR STATEMENT

1. Bank Pass Book (also known as Bank Statement) is an extract of the Ledger Account of the customer, as per the Bank's books of Accounts.
2. It is a periodical statement of account in which all transactions, i.e, deposits and withdrawals made by the customer during the particular period is recorded.

Dr: +ve / Favourable Balance Cr: -ve / Overdraft / Unfavourable				CUSTOMER Cash Book			
Date	Receipts	Cash	Bank	Date	Payments	Cash	Bank
Cr: +ve / Favourable Balance Dr: -ve / Overdraft / Unfavourable				BANK Pass Book [Bank statement / Ledger A/c of Customer]			
Date	Particulars		Ref. No.	Withdrawals	Deposits	Dr./Cr	Balance

3. A comparative analysis of the Cash Book (Bank Column) and Bank Pass Book is given below

Point	In Cash Book of Customer	In Bank Pass Book
Debit Entries in Cash Book	- Deposits of cash into Bank - Receipt of cheques from debtors - Other Incomes/Receipts, e.g. Interest, Dividend, Capital introduced, etc. - B/R Collection, Income on Investment, etc. by the Bank.	These are recorded as "Deposits" in the Pass Book, i.e. on the credit side of the Pass book
Credit Entries in Cash Book	- Withdrawal of cash from Bank - Payment to Creditors/ of Expenses - Bank Interest, Charges by the Bank - Payment as per standing instructions	These are recorded as "Withdrawals" in the Pass book, i.e. on the debit side of the Pass book
Favourable Balance	Such balance will normally appear on the debit side of cash book (Bank column)	Credit Balance in Pass Book represents a favourable balance, i.e. Normal Balance
Overdraft balance	Such balance will normally appear on the credit side of Cash Book (Bank column)	Debit Balance in Pass Book represents an unfavourable balance i.e. Overdraft Bal.

Note:

For each entry in the Cash Book, there should be corresponding opposite entry in Pass book. This is because the business enterprises treat the Bank as Debtor A/c (Receivable/Asset) and bank treats the business enterprises as a Creditor (i.e. Payable/Liability).

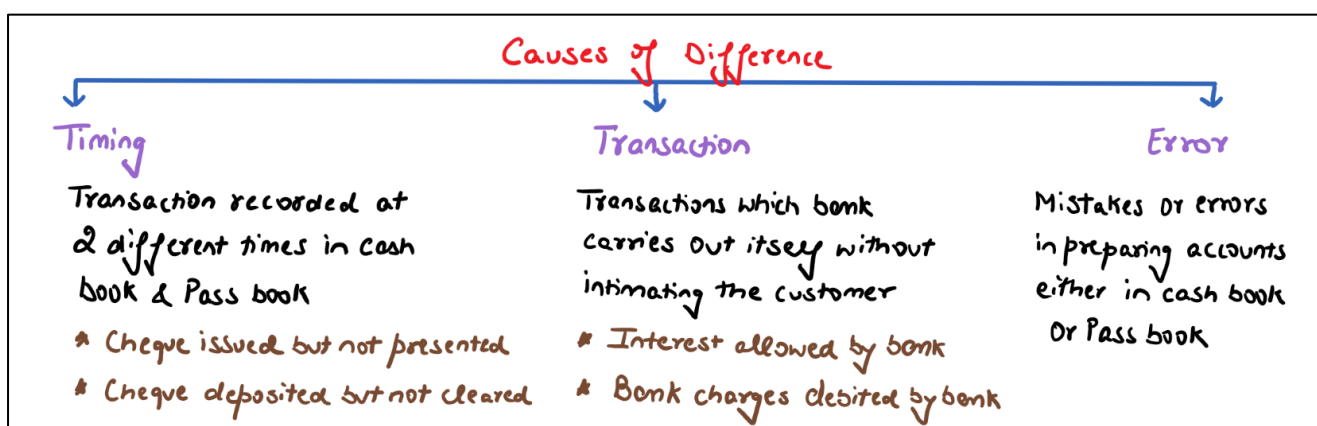
BANK RECONCILIATION STATEMENT

1. Bank Reconciliation Statement: At periodical intervals, the customer/ business entity (i.e. Account Holder in the Bank), should compare the balance in Bank as shown by the Cash Book with the Pass Book. In case of any differences between the two, they should be analyzed by listing out the various reasons for such difference. Such a statement is called Bank Reconciliation Statement (BRS).

It is prepared by Customer/Bank Account holder. It is prepared to know the causes for difference between balance as per Bank Column of Cash Book & Pass Book/Bank Statement.

2. Advantages: The advantages of Bank reconciliation statement are-
 - (a) To record entries which have been missed out in the Cash Book, e.g. Interest charged/allowed by the bank, bank charges, and direct collection by bank etc.
 - (b) To identify any errors that may be committed either in cash book or in bank statement,
 - (c) To identify any undue delay in the clearance of cheque and
 - (d) To act as a deterrent against embezzlement frauds.

DIFFERENCES BETWEEN BANK STATEMENT AND CASH BOOK



The common reasons for difference between the balances as per cash book and the bank statement are-

1	Cheques issued but not yet presented for payment	Payment is recorded in the cash book immediately on issue of a cheque. However, the bank debits the Customer's (i.e. Account Holders') Account only when the cheque is presented for payment. There may be a time gap between the entry in the cash book and in the bank statement.
2	Cheques deposited into bank not yet credited/cleared	Receipts are recorded in the cash book when the cheques are sent to the Bank. However, the bank would credit the account only when they have been cleared

3	Interest allowed/credited by bank	Interest credited by the Bank in the account (if any) will be reflected only in the bank pass book. They will have to be recorded in the cash book only after receiving the pass book.
4	Interest & Dividends collected by Bank	When investments are kept with the bank for safe custody, the income thereon may be collected by the bank directly. This will be recorded in the cash book later.
5	Direct payments into Bank by a customer	Amount directly received by the bank from the Company's customer will be recorded in the cash book only after analyzing the pass book.
6	Bills Receivables collected by Bank on behalf of the customer	The bank collects the proceed of bills receivable when the documents of title are sent through it. On collection, the bank will credit the customer's account. The customer may make the entry only on receiving the bank statement at the end of the period.
7	Interest & Expenses charged by bank	Interest and expenses charged by bank (for Cheque Book, Demand draft, outstation cheque collection, etc.) will be recorded by the customer company only after seeing the pass book.
8	Direct payment by bank	When standing Instructions for certain payments, e.g. Insurance premium, telephone bills, etc. are given to the Bank; the company may come to know of the actual payment only on seeing the Pass Book at the end of the period.
9	Dishonour of a bill discounted with the Bank	If the Bank is not able to receive payment on Bills of Exchange discounted by it, it will debit the customer's account together with any charges thereon. The customer will make the entry only when he sees the Bank statement.
10	Error in Pass Book/Cash Book	Errors committed in the Pass Book/ Cash Book will also contribute to difference between the balances shown by the books.

Note:

- Items 1 & 2 are recorded in the Cash Book first, and later on reflected in the Bank Pass Book/Statement.
- Items 3 to 9 are recorded first in Pass Book, and later recorded in Cash Book. Out of these, Item 3,4,5 and 6 constitute receipts into Bank Account and Items 7,8 and 9 constitute Payments out of Bank A/c.

PROCEDURE FOR BANK RECONCILIATION STATEMENT

BRS may be prepared in two ways-

- (a) Without adjusting the Cash Book, i.e. Preparation of BRS only.
- (b) After adjusting Cash Book for Items 3 to 10 given above, i.e. Preparation of Adjusted Cash Book and BRS.

The Procedures for preparing the BRS is explained below-

METHOD 1: PREPARATION OF BRS ONLY (i.e. WITHOUT ADJUSTING CASH BOOK)

Starting Point	Cash Book Balance		Pass Book Balance	
Balance as per Starting Point	Dr. Balance in Cash Book (Favourable)	Cr. Balance in Cash Book (Overdraft)	Dr. Balance in Pass Book (Overdraft)	Cr. Balance in Pass Book (Favourable)
1. Cheques issued but not yet presented for payment (Item 1)	Add	Subtract	Add	Subtract
2. Cheques deposited into Bank but not yet credited /cleared (Item 2)	Subtract	Add	Subtract	Add
3. Interest allowed by Bank (Item 3)	Add	Subtract	Add	Subtract
4. Interest & Dividends collected by Bank (Item 4)	Add	Subtract	Add	Subtract
5. Direct payments into Bank by a customer (Item 5)	Add	Subtract	Add	Subtract
6. Bill Receivable collected by bank on behalf of the customer (Item 6)	Add	Subtract	Add	Subtract
7. Interest & Expenses charged by Bank (Item 7)	Subtract	Add	Subtract	Add
8. Direct Payments by bank (Item 8)	Subtract	Add	Subtract	Add
9. Dishonour of a bill discounted with the Bank (Item 9)	Subtract	Add	Subtract	Add
10. Wrong Entries (Item 10)				
(a) Wrong Debit in Cash Book or in Pass Book, under-casting of Cr. Side of Cash Book, overcasting of Dr. side of cash book etc.	Subtract	Add	Subtract	Add
(b) Wrong Credit in Cash Book or Pass Book, overcasting of Cr. side of Cash book, undercasting of Dr. side of cash book	Add	Subtract	Add	Subtract
Balances as per End Point	Pass Book Balance		Cash Book Balance	
Positive (+) End Point balance indicates	Favourable i.e. Cr. Bal. as per Pass Book	Overdraft i.e. Dr. Bal. as per Pass Book	Overdraft i.e. Cr. Bal. as per Cash Book	Favourable i.e. Dr. Bal. as per Cash Book
Negative (-) End Point balance indicates	Overdraft i.e. Dr. Bal. as per Pass Book	Favourable i.e. Cr. Bal. as per Pass Book	Favourable i.e. Dr. Bal. as per Cash Book	Overdraft i.e. Cr. Bal. as per Cash Book

METHOD 2: PREPARATION OF ADJUSTED CASH BOOK AND BRS

When the balance in the cash book is first adjusted for certain adjustments before taking it to the bank reconciliation statement, then it is known as adjusted cash book balance. Adjusting the cash-book before preparing the bank reconciliation statement is completely optional, if reconciliation is done during different months. But if reconciliation is done at the end of the accounting year or financial year, the cash-book must be adjusted so as to reflect the correct bank balance in the balance sheet.

Errors occurring in the pass-book are not to be adjusted in the cash book. All the adjustments considered in the adjusted cash-book are not carried again to the Bank Reconciliation Statement.

Step 1:

Prepare Adjusted Cash Book with the following Debits and Credits

Receipts	₹	Payments	₹
To balance b/d (in case of Favourable Bal. as per Cash Book)		By balance b/d (in case of Overdraft Bal. as per Cash Book)	
To Interest allowed by Bank	Item 3	By Interest & Expenses charged by bank	Item 7
To Interest & Dividends collected by Bank	Item 4	By Direct payments by bank as per Standing Instructions	Item 8
To Direct Payments into Bank by firm's customers	Item 5	By dishonour of a bill discounted with the bank	Item 9
To Bill Receivable collected by bank on behalf of firm	Item 6		
To Rectification of Error in Cash Book, e.g. double credit posting, credit overcast, debit under cast, debit entry omission etc.	Item 10	By Rectification of Error in cash book, e.g. double debit posting, debit overcast, credit undercast, credit entry omission etc.	Item 10
To balance c/d (in case of Overdraft bal. as per Cash Book)		By balance c/d (in case of Favourable bal. as per Cash Book)	
Total		Total	

Note:

- The closing balance in the above Adjusted Cash Book is called Adjusted Cash Balance. This will be taken to the BRS.
- Prepared under Step 2 below.
- In Item 10, Errors made in Cash Book will be adjusted, but errors made in Pass Book will not be given effect in Cash Book.

Step 2:

Prepare Bank Reconciliation Statement as under-

Starting Point	Cash Book Balance		Pass Book Balance	
Balance as per Starting Point	Dr. Balance in Cash Book (Favourable)	Cr. Balance in Cash Book (Overdraft)	Dr. Balance in Pass Book (Overdraft)	Cr. Balance in Pass Book (Favourable)
1. Cheques issued but not yet presented for payment (Item 1)	Add	Subtract	Add	Subtract
2. Cheques deposited into Bank but not yet credited/cleared (Item 2)	Subtract	Add	Subtract	Add
3. Wrong Cr. in Pass Book (Item10)	Add	Subtract	Add	Subtract
4. Wrong Dr. in Pass Book (Item10)	Subtract	Add	Subtract	Add
Balance as per End Point	Pass Book Balance		Cash Book Balance	
Positive (+) End point balance indicates	Favourable i.e. Cr. bal. as per pass book	Overdraft i.e. Dr. Bal, as per Pass Book	Overdraft i.e. Cr. Bal. as per Cash Book	Favourable Dr. Bal. as per Cash Book
Negative (-) End Point balance indicates	Overdraft i.e. Dr. Bal. as per Pass Book	Favourable i.e. Cr. Bal. as per Pass Book	Favourable i.e. Dr. Bal. as per Cash Book	Overdraft i.e. Cr. Bal as per Cash Book

ASSIGNMENT QUESTIONS

Question 1 *(ICAI Study Material)*

Pg no. _____

On 30th June 2023, 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:

- a) She has issued cheques amounting to ₹ 80,000 out of which only ₹ 32,000 were presented for payment.
- b) She received a cheque of ₹ 5,000 which she recorded in her cash book but forgot to deposit in bank.
- c) A cheque of ₹ 22,000 deposited by her has not been cleared yet.
- d) Mr. Gupta deposited an amount of ₹ 15,700 in her bank which has not been recorded by her in Cash Book yet.
- e) Bank has credited an interest of ₹ 1,500 while charging ₹ 250 as bank charges.

Prepare a bank reconciliation statement.

Question 2 *(RTP Nov 2021) (Similar)*

Pg no. _____

On 31st March, 2023 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:

1. Cheques issued to 'X' for ₹ 60,000 and to 'Y' for ₹3,84,000 were not yet presented for payment.
2. Bank charged ₹350 for bank charges and 'Z' directly deposited ₹1,816 into the bank account, which were not entered in the cash book.
3. Two cheques—one from 'A' for ₹ 5,15,000 and another from 'B' for ₹ 12,500 were collected in the first week of April, 2023 although they were banked on 25.03.2023.
4. Interest allowed by bank ₹ 4,500
5. Wrong credit by Bank ₹ 20,000
6. Amount wrongly debited to trader account by the Bank ₹ 15,000
7. Bank paid house tax ₹ 5,000 on our behalf, but no information received from bank in this connection.

Prepare a bank reconciliation statement as on 31st March, 2023.

Question 3 *(ICAI Study Material)*

Pg no. _____

Prepare a bank reconciliation statement as on 30th September, 2023 from the following particulars:

Particulars	Amount
Bank balance as per pass-book	10,00,000
Cheque deposited into the bank, but no entry was passed in the cash-book	5,00,000
Cheque received, but not sent to bank	11,20,000
Credit side of the bank column cast short	2,000
Insurance premium paid directly by the bank under the standing advice	60,000
Bank charges entered twice in the cash book	2,000
Cheque issued, but not presented to the bank for payment	5,00,000
Cheque received entered twice in the cash book	10,000
Bills discounted dishonoured not recorded in the cash book.	5,00,000

Question 4

Pg no. _____

Prepare Bank Reconciliation Statement as on 30th September, 2023:

	Amount
Bank overdraft as per Pass-Book	21,494
A cheque deposited as per Pass-Book, but not recoded in Cash-book	700
Debit side of Bank column undercast	100
A cheque of ₹ 5,000 deposited, but credited in Pass book as	4,996
A party's cheque returned dishonored as per Pass-book only	530
Bill collected directly by the Bank	3,500
Bank charges recorded twice in the Cash-book	25
A Bill for ₹ 8,000 discounted for ₹ 7,960 returned dishonored by the Bank. Noting charges being	15
Cheque deposited, but not yet collected by the Bank	2,320
Cheque issued, but not yet presented to the bank for payment	1,250

Question 5 *(RTP May 2018)/(RTP Nov 2022) (Similar)*

Pg no. _____

The Cash-book of M/s ABC shows ₹ 27,570 as the balance at Bank as on 30th September, 2023. But this does not agree with balance as per the Bank Statement. On scrutiny following discrepancies were found:

- Subsidy ₹ 10,250 received from government directly by bank, but not advised to company
- On 15th September, 2023 the payments side of the Cash-book was under cast by ₹ 350.
- On 20th September, 2023 the debit balance of ₹ 2,156 as on the previous day, was brought forward as credit balance in Cash-book.
- A customer of the M/s ABC, who received a cash discount of 5% on his account of ₹ 2,000, paid to M/s ABC a cheque on 24th September, 2023. The cashier erroneously entered the gross amount in the Cash-Book.
- On 10th September, 2023 a bill for ₹ 5,700 was discounted from the bank, entered in Cash-book, but proceeds credited in Bank Statement amounted to ₹ 5,500 only.
- A cheque issued amounting to ₹ 1,725 returned marked 'out of date'. No entry made in Cash-book.
- Insurance premium ₹ 756 paid directly by bank under standing order. No entry made in cash-book.
- A bill receivable for ₹ 1,530 discounted for ₹ 1,500 with the bank had been dishonoured on 30th September, 2023, but advice was received on 1st October, 2023.
- Bank recorded a Cash deposit of ₹ 1,550 as ₹ 1,505.

Prepare Bank Reconciliation Statement on 30th September, 2023.

Question 6 *(RTP Nov 2018) / (RTP Nov 2020)*

Pg no. _____

Prepare a Bank Reconciliation Statement of Shri Hari as on 31st March, 2023:

- Balance as per Pass Book is ₹ 10,000.
- Bank collected a cheque of ₹ 500 on behalf of Shri Hari but wrongly credited it to Shri Hari's Account (another customer of bank).
- Bank recorded a cash deposit of ₹ 1,589 as ₹ 1,598.
- Withdrawal column of the Pass Book undercast by ₹ 100.
- The credit balance of ₹ 1,500 on page 5 was recorded on page 6 as debit balance.
- The payment of a cheque of ₹ 350 was recorded twice in the Pass Book.
- The Pass Book showed a credit for a cheque of ₹ 1,000 deposited by Shri Hari (another customer of the bank).

Question 7 (ICAI Study Material)

Pg no. _____

The Cash Book of Mr. Gadbadwala shows ₹ 8,36,400 as the balance at Bank as on 31st December, 2023, 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, 2023 the payment side of the Cash Book was undercast by ₹10,000.
 - (2) A cheque for ₹1,31,000 issued on 25th December, 2023 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, 2023 the debit balance of ₹15,260 as on the previous day, was brought forward as credit balance in the Cash Book.
 - (5) Of the total cheques amounting to ₹11,514 drawn in the last week of December, 2023, 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.

Question 8 (ICAI Study Material)

Pg no. _____

The following are the Cash Book (bank column) and Pass Book of Jain for the months of March, 2023 and April, 2023:

Cash Book (Bank Column only)

Date	Particulars	Amount	Date	Particulars	Amount
1/3/23	To Balance b/d	60,000	3/3/23	By Cash A/c	2,00,000
6/3/23	To Sales A/c	3,00,000	7/3/23	By Modi	60,000
10/3/23	To Ram	65,000	12/3/23	By Patil	30,000
18/3/23	To Singhal	2,70,000	18/3/23	By Suresh	40,000
25/3/23	To Goyal	33,000	24/3/23	By Ramesh	1,50,000
31/3/23	To Patel	65,000	31/3/23	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
1/4/23	By Balance b/d		3,65,000	Cr.	3,65,000
3/4/23	By Goyal		33,000	Cr.	3,98,000
5/4/23	By Patel		65,000	Cr.	4,63,000
7/4/23	To Naresh	2,80,000		Cr.	1,83,000
12/4/23	To Ramesh	1,50,000		Cr.	33,000
15/4/23	To Bank Charges	200		Cr.	32,800
20/4/23	By Usha		17,000	Cr.	49,800
25/4/23	By Kalpana		38,000	Cr.	87,800
30/4/23	To Sunil	6,200		Cr.	81,600

Reconcile the balance of cash book on 31/3/2023.

Question 9 (ICAI Study Material)

Pg no. _____

Prepare a bank reconciliation statement from the following particulars on 31st March, 2023 and show the balance as per cash book:

- a) Overdraft as per passbook on March 31, 2023, is ₹ 3,00,000.
- b) Interest on bank overdraft not entered in the cash book ₹ 36,500

- c) Insurance premium of ₹ 17,950 was due and paid by the bank but same has not been accounted in the books.
- d) Cheques drawn in the last week of March, 2023, but not cleared till date for ₹ 13,000 and ₹ 23,500.
- e) Cheques deposited into bank on February, 2023, but yet to be credited on dated March 31, 2023 ₹ 56,000.
- f) Amount of ₹ 20,500 is wrongly debited by the bank
- g) Interest on Investment ₹ 83,800 collected and credited by bank but the same has not been entered in the Cash Book

Question 10 (CA Foundation May 2018) (10 Marks)

Pg no. _____

The Bank Pass Book of Account No. 5678 of Mrs. Rani showed an overdraft of ₹ 33,575 on 31st March 2023. 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 2023 being dishonoured is debited again in the pass book on 1st April 2023. There was no entry in the cash book about the dishonour of the cheque until 15th April 2023.
- (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 2023 cheques amounting to ₹ 7,500 were collected on 7th April, 2023.
- (iv) Out of Cheques amounting to ₹ 7,800 drawn by her on 27th March, 2023 a cheque for ₹ 2,500 was encashed on 3rd April, 2023.
- (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, 2023.
- (vii) A Bill Receivable for ₹ 5,200 previously discounted (Discount ₹ 200) with the Bank had been dishonoured but advice was received on 1st April, 2023.
- (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, 2023.

Prepare Bank Reconciliation Statement as on 31st March, 2023.

Question 11 (ICAI Study Material)

Pg no. _____

When Nikki & Co. received a Bank Statement showing a favourable balance of ₹10,39,200 for the period ended on 30th June, 2023, this did not agree with the balance in the cash book. An examination of the Cash Book and Bank Statement disclosed the following:

- a) A deposit of ₹3,09,200 paid on 29th June, 2023 had not been credited by Bank until 1st July, 2023.
- b) On 30th March, 2023 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, 2023. No entries had been made in Cash Book.
- c) 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.
- d) Bank charges amounting to ₹3,000 had not been entered in Cash-Book.
- e) 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.
- f) ₹11,200 paid into the bank had been entered twice in the Cash Book.

- g) 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, 2023.

Prepare Bank Reconciliation Statement on 30 June, 2023.

Question 12 (ICAI Study Material)

Pg no. _____

According to the cash-book of Gopi, there was a balance of ₹ 44,50,000 in his bank on 30th June, 2023. On investigation you find that :

- Cheques amounting to ₹ 6,00,000 issued to creditors have not been presented for payment till date.
- Cheques paid into bank amounting to ₹ 11,05,000 out of which cheques amounting to ₹ 5,50,000 only collected by the bank up to 30th June 2023.
- A dividend of ₹ 40,000 and rent amounting to ₹ 6,00,000 received by the bank and entered in the pass-book but not recorded in the cash book.
- Insurance premium (up to 31st Dec, 2023) paid by the bank ₹ 27,000 not entered in the cash book.
- The payment side of the cash book had been under casted by ₹ 5,000.
- Bank charges ₹ 1,500 shown in the pass book had not been entered in the cash book.
- 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.

Required:

- to make the appropriate adjustments in the cash book, and
- to prepare a statement reconciling it with the bank pass book.

Question 13 (ICAI Study Material)/(RTP Nov 2019)/(Nov 2023) (Similar)

Pg no. _____

On 30th September, 2023, 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 credit balance of ₹ 20,758 in favour of X. An examination of the Cash Book and Bank Statement reveals the following:

- A cheque for ₹13,14,000 deposited on 29th September, 2023 was credited by the bank only on 3rd October, 2023
- A payment by cheque for ₹16,000 has been entered twice in the Cash Book.
- On 29th September, 2023, 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, 2023.
- Bank charges amounting to ₹580 had not been entered in the Cash Book.
- On 6th September, 2023, the bank credited ₹20,000 to X in error.
- A bill of exchange for ₹1,40,000 was discounted by X with his bank. This bill was dishonoured on 28th September, 2023 but no entry had been made in the books of X.
- Cheques issued upto 30th September, 2023 but not presented for payment upto that date totalled ₹ 13,26,000.

You are required:

- to show the appropriate rectifications required in the Cash Book of X, to arrive at the correct balance on 30th September, 2023 and
- to prepare a bank reconciliation statement as on that date.

Question 14 (MTP March 2022)

Pg no. _____

On 30th June, 2023, Cash Book of Ms. Suman (Bank Column of Account No. 1) shows a Bank Overdraft of ₹ 1,97,400. On going through the Bank Pass book for reconciling the Balance, she found the following:

- (a) Out of cheques drawn on 26th June, those for ₹ 14,800 were cashed by the bankers on 2nd July.
- (b) A crossed cheque for ₹ 3000 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1st July.
- (c) Cash and cheques amounting to ₹ 13,600 were deposited in the Bank on 29th June., but cheques worth ₹ 5,200 were cleared by the Bank on 1st July., and one cheque for ₹ 1,000 was returned by them as dishonoured on the latter date.
- (d) According to Suman's standing instructions, the bankers have on 30th June, paid ₹ 1,280 as interest to her creditors, paid quarterly premium on her policy amounting to ₹ 640 and have paid a second call of ₹ 2,400 on shares held by her and lodged with the bankers for safe custody. They have also received ₹ 600 as dividend on her shares and recovered an Insurance Claim of ₹ 3,200, as their charges and commission charged on the above being ₹ 400. On receipt of information of the above transaction, she has passed necessary entries in her Cash Book on 1st July.
- (e) Bankers seem to have given a wrong credit for ₹ 2,000 paid in by her in No. 2 account and wrong debit in respect of a cheque for ₹ 1,200 drawn against her No. 2 account.

Prepare a Bank Reconciliation Statement as on 30th June, 2023.

Question 15 *(ICAI Study Material)*

Pg no. _____

Mr. Manoj is employed by Century Rayon and Carpets Pvt Ltd. as their cashier. The main responsibility of Mr. Manoj is to maintain the company's cash book and prepare a bank reconciliation statement at the end of each month. The cash book (only bank column) is set out below together with a copy of the bank statement for the month of February 2023.

You are required to :

- Reconcile the cash book with the bank statement.
- Make necessary entries to update the cash book.
- Start with the balance as per cash book, list any unpresented cheques and sub-total on the reconciliation statement.

Century Rayon and Carpets Pvt Ltd

Cash Book (Bank Column only)

Date	Particulars	Amount	Date	Particulars	Amount
1/2/23	To Balance b/d	1,42,500	3/2/23	By Bhagwandas	1,980
1/2/23	To Blue & Co.	1,570	5/2/23	By Maruti Ltd. (400460)	1,500
4/2/23	To GM Ltd.	2,430	12/2/23	By Jackson Ltd. (400461)	54,000
8/2/23	To Robinson Ltd.	910	18/2/23	By PC Computers (400462)	1,420
13/2/23	To Donald	750	21/2/23	By Shiv Garage (400463)	49,000
20/2/23	To Avenue Super Mart	4,200	26/2/23	By Petty Cash (400465)	1,500
28/2/23	To Sleep Well Ltd.	940	26/2/23	By Shweta & Co. (400464)	2,100
			26/2/23	By AV Partners (400466)	5,200
			28/2/23	By Balance c/d	36,600
		1,53,300			1,53,300

Customer: Century Rayon and Carpets Pvt Ltd

Account No – xxxxx0439

Account Statement for the month of February 2023

Date	Particulars	Amount (Dr.)	Amount (Cr.)	Dr. or Cr.	Balance
1/2/23	Balance b/d			Cr.	1,42,500
3/3/23	Cheques		1,570	Cr.	1,44,070
6/2/23	Maruti Ltd.	1,500		Cr.	1,42,570
7/4/23	Bhagwandas	1,980		Cr.	1,40,590
12/2/23	GM Ltd.		2,430	Cr.	1,43,020
15/2/23	Robinson Ltd.		910	Cr.	1,43,930
20/2/23	Premium of New India Insurance Ltd.	3,800		Cr.	1,40,130
22/2/23	Donald		750	Cr.	1,40,880
22/2/23	400463	49,000		Cr.	91,880
23/2/23	Cheques		4,200	Cr.	96,080
26/2/23	Savita	1,030		Cr.	95,050
26/2/23	400465	1,500		Cr.	93,550
27/2/23	Shreya		2,200	Cr.	95,750
28/2/23	Bank Charges	2,538		Cr.	93,212

Question 16 (CA Foundation June 2023) (5 Marks)

Pg no. _____

From the following information prepare a Bank Reconciliation Statement as on 31st March 2023 for A Ltd.

	₹
Bank overdraft as per cash book as 31st March, 2023	15,50,750
1. Cheques deposited on 15th February, 2023 credited on 5th April, 2023	12,50,000
2. Interest debited by bank on 31st March, 2023 but not entered in Cash Book	1,75,500
3. Cheques issued before 31st March, 2023 but not yet presented	7,75,000
4. On 10th March, 2023 bank credited to A Ltd. in error	1,50,000
5. Draft deposited in bank but not credited till 31st March, 2023	12,75,000
6. Bills for collection credited by bank but no advice received by the company	9,45,000
7. Bank charges charged by bank but not entered in cash book	2,85,000
8. Transport subsidy received from the state government directly by the bank not advised to the company	17,50,000

PRACTICE QUESTIONS**MULTIPLE CHOICE QUESTIONS**

1. When the balance as per Cash Book is the starting point, direct deposits by customers are:
(a) Added
(b) Subtracted
(c) Not required to be adjusted.
2. A debit balance in the depositor's Cash Book will be shown as:
(a) A debit balance in the Bank Statement.
(b) A credit balance in the Bank Statement.
(c) An overdrawn balance in the Bank Statement.
3. When balance as per Pass Book is the starting point, interest allowed by Bank is
(a) Added
(b) Subtracted
(c) Not required to be adjusted.
4. A Bank Reconciliation Statement is prepared with the help of:
(a) Bank statement and bank column of the Cash Book.
(b) Bank statement and cash column of the Cash Book
(c) Bank column of the Cash Book and cash column of the Cash Book.
5. The cash book showed an overdraft of ₹1,50,000, but the pass book made up to the same date showed that cheques of ₹ 10,000, ₹ 5,000 and ₹ 12,500 respectively had not been presented for payments; and the cheque of ₹ 4,000 paid into account had not been cleared. The balance as per the pass book will be:
(a) ₹ 1,10,000
(b) ₹ 2,17,500
(c) ₹ 1,26,500
6. When drawing up a Bank Reconciliation Statement, if you start with a debit balance as per the Bank Statement, the unpresented cheques should be:
(a) Added;
(b) Deducted;
(c) Not required to be adjusted.
7. When drawing up a BRS if you start with a Dr. Balance as per Bank Statement, the following are added:
 1. Cheque issued but not presented to bank
 2. B/R collected directly by bank
 3. Overcasting of the Dr. Side of bank A/c in the cash book.
(a) only 1
(b) only 1 & 2
(c) all of the above

8. A bank reconciliation statement is mainly prepared to:

- (a) Reconcile the cash balance of the cash book
- (b) Reconcile the difference between bank balance shown by cash book and bank passbook
- (c) both a & b

ANSWERS MCQs

1. (a) 2. (b) 3. (b) 4. (a) 5. (c) 6. (a) 7. (b) 8. (b)

TRUE / FALSE

State with reasons whether the following statement is true or false:

- 1) Bank Reconciliation is the process of reconciling cash column of the cash book and bank column of the cash book.
- 2) There are 3 types of differences between cash book and pass book namely Timing, Transactions & Errors.
- 3) Adjusting the cash book for any errors and/or omissions before preparing bank reconciliation is optional when the reconciliation is done at the end of the financial year.
- 4) Debit balance in cash book is same as overdraft as per pass book.
- 5) Bank charges debited by the bank is an example of timing difference for the purposes of bank reconciliation.
- 6) Overcasting of the debit side of the cash book is an example of a difference that is due to Error.
- 7) When we start bank reconciliation with a debit balance in cash book, then cheques issued but not yet presented should be added back to arrive at the balance as per pass book.
- 8) The bank charges charged by the bank should be deducted when bank reconciliation statement is being prepared starting from a credit balance of pass book.
- 9) When the causes of differences between pass book balance and cash book is not known, then the bank reconciliation statement can be prepared by matching the two books and identifying any unticked items in both sets.
- 10) While preparing the bank reconciliation statement starting with debit balance as per pass book or bank statement, the deposited cheques that are not yet cleared need not be adjusted.
- 11) Cash book shows a debit balance of ₹ 50,000 and the only difference from the balance as shown in pass book relates to cheques issued for ₹ 60,000 but not yet presented for payment. The balance as per pass book should be ₹ 1,10,000.
- 12) Overcasting of credit side of the cash book shall result in a higher bank balance in cash book when compared with pass book balance.
- 13) A cheque for ₹ 25,000 that was issued and was also presented for payment in same month but erroneously recorded on debit side of the cash book would cause a difference of ₹ 50,000 from the balance in pass book.
- 14) A direct debit by bank on account of any payment as may be instructed by customer should be recorded on credit side of cash book.
- 15) Bank Reconciliation Statement can be prepared in two formats – “Balance” presentation and “Plus & Minus” presentation.
- 16) The difference between cash book & pass book that relates to errors are those mostly made by Bank.
- 17) A cheque for ₹ 80,000 that was discounted from bank was dishonoured and the bank charged ₹ 1,600 as the charges on account of same. While starting with debit balance in cash book for preparing bank reconciliation statement, we need to deduct ₹ 78,400 to reconcile with pass book.

- 18) Interest on savings bank that is allowed or credited by bank is generally recorded in cash book prior to it being recorded by bank.
- 19) A regular bank reconciliation discourages the accountants to be involved in any kind of funds embezzlement.
- 20) Timing difference relates to the transactions that are recorded in the same period in both cash book and also the bank pass book.
- 21) Interest charged by the bank will be deducted, when the overdraft as per the cash book is made the starting point for the making the bank reconciliation statement.
- 22) Interest charged by the bank will be deducted when the overdraft as per pass book is the starting point for preparing the Bank Reconciliation Statement to arrive at the balance as per cash book at the end.
- 23) Bank Reconciliation Statement is prepared to arrive at the bank Balance.
- 24) If the balance as per Cash Book & Pass Book are the same, there is no need to prepare a Reconciliation Statement.
- 25) Bank reconciliation statement is not prepared to arrive at the bank balance.
- 26) Direct collection received by the bank on behalf of its customers will increase the balance as per the Bank Pass-book as compared to the balance as per the Cash-book.

Solution

- 1) False: Bank Reconciliation Statement reconciles bank column of cash book with the balance in the pass book i.e. customer account in the books of bank.
- 2) True: These are the three broad categories.
- 3) False: Adjusting the cash book is mandatory when bank reconciliation is done at the end of the financial year.
- 4) False: Debit balance as per cash book should be represented by credit or favourable balance in pass book.
- 5) False: Bank charges are example of the transactions that bank carries out by itself and the same has not been recorded in the cashbook until statement is obtained from the bank.
- 6) True: Overcasting is an example of an error.
- 7) True: Since the cheques issued would have been recorded as payments and bank balance was credited in cash book, we need to add it back as the same is not yet deducted from our bank balance.
- 8) False: Bank charges should be added when we start with credit or favourable balance in pass book as bank would have debited the charges.
- 9) True: Since, we don't know the causes of difference, matching the two statements is only efficient way to identify the difference.
- 10) False: Cheques deposited but not yet cleared should be subtracted from debit or unfavourable balance in pass book.
- 11) True: Cheques issued but not yet presented should be added back to a debit balance in cash book to arrive at pass book balance i.e. ₹ 50,000 + ₹ 60,000 = ₹ 1,10,000.
- 12) False: Overcasting of credit side means excessive payments are recorded and hence would lower the bank balance.
- 13) True: ₹ 25,000 payment is recorded as a receipt and hence it will have to be adjusted twice (once to nullify and then once to record actual payment) hence causing the difference of double amount.
- 14) True: It is an example of a payment instructed by customer to be directly debited by bank, and hence credited in the cash book.
- 15) True: Reconciliation statement can be prepared in either of the two formats.
- 16) False: Bank rarely makes mistakes, and hence differences that relate to errors are generally made in cash book.

- 17) False: We need to deduct 81,600 (i.e. both cheque returned & charges) from debit balance in cash book to arrive at balance as per pass book.
- 18) False: Interest allowed by bank is mostly recorded in cash book after the entry has been made in the pass book or bank statement.
- 19) True: In absence of any reconciliation, the accountants can mis-utilize the funds temporarily by recording the entry without actual depositing the cash.
- 20) False: Timing differences relate to the transactions that are recorded in cash book and pass book in two different periods.
- 21) False :- Interest charged by the bank will be added when the overdraft as per the Cash Book is made the starting point in preparing Bank Reconciliation Statement.
- 22) True: - Interest charged by the bank had resulted in increased overdraft balance as shown by the Pass Book. Therefore, it will be deducted from this balance in bank reconciliation statement to arrive at the balance as per cash book at the end.
- 23) False: - Bank reconciliation statement is prepared to reconcile and explain the causes of difference between bank balance as per cash book and the same as per bank statement as on a particular date.
- 24) True: - The reconciliation statement is prepared only when any difference in the balances arises.
- 25) True: - Object of preparation of BRS is to reconcile the pass book balance and the cash book balance in order to find out the causes of differences between these two books on a particular date.
- 26) True: - Direct collection received by the bank on behalf of its customer will increase the balance of pass book, as compared to balance as per cash book till the customer gets intimation from the bank.

SALIENT FEATURES OF BANK RECONCILIATION STATEMENT:

- The reconciliation will bring out any errors that may have been committed either in the cash book or in the pass book;
- Any undue delay in the clearance of cheques will be shown up by the reconciliation;
- A regular reconciliation discourages the accountant of the bank from embezzlement. There have been many cases when the cashiers merely made entries in the cash book but never deposited the cash in the bank; they were able to get away with it only because of lack of reconciliation.
- It helps in finding out the actual position of the bank balance.

IMPORTANCE OF BANK RECONCILIATION TO AN INDUSTRIAL UNIT

Banks are essential to modern society, but for an industrial unit, it serves as a necessary instrument in the commercial world. Most of the transactions of the business are done through bank whether it is a receipt or payment. Rather, it is legally necessary to operate the transactions through bank after a certain limit. All the transactions, which have been operated through bank, if not verified properly, the industrial unit may not be sure about its liquidity position in the bank on a particular date. There may be some cheques which have been issued, but not presented for payment, as well as there may be some deposits which have been deposited in the bank, but not collected or credited so far. Some expenses might have been debited or bills might have been dishonoured. It is not known to the industrial unit in time, it may lead to wrong conclusions. The errors committed by bank may not be known without preparing bank reconciliation statement. Preparation of bank reconciliation statement prevents the chances of embezzlement. Hence, bank reconciliation statement is very important and is a necessity of an industrial unit as it plays a key role in the liquidity control of the industry.

HOMEWORK QUESTIONS

Question 1 _____ Pg no. _____

From the following particulars, prepare a Bank Reconciliation Statement for Pathak Ltd. as on 30.6.2023

- (1) Balance as per cash book is ₹ 1,20,000.
- (2) Cheques issued but not presented in the bank amounts to ₹ 68,000.
- (3) Bank charges amounts to ₹ 300.
- (4) Interest credited by bank amounts to ₹ 1,500

Question 2 (ICAI Study Material) _____ Pg no. _____

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) The balance as per pass book is ₹ 2,86,950

Question 3 (ICAI Study Material) _____ Pg no. _____

From the following particulars ascertain the balance that would appear in the Bank Pass Book of A on 31st December, 2023.

- a) The bank overdraft as per Cash Book on 31st December, 2023 ₹6,340.
- b) Interest on overdraft for 6 months ending 31st December, 2023 ₹160 is entered in Pass Book.
- c) Bank charges of ₹400 are debited in the Pass Book only.
- d) Cheques issued but not cashed prior to 31st December, 2023, amounted to ₹ 11,68,000.
- e) Cheques paid into bank but not cleared before 31st December, 2023 were for ₹ 22,17,000.
- f) Interest on investments collected by the bank and credited in the Pass Book ₹12,00,000.

Question 4 (ICAI Study Material) _____ Pg no. _____

From the following information, prepare a Bank reconciliation statement as at 31st December, 2023 for M/s New Steel Limited:

1	Bank overdraft as per Cash Book on 31st December, 2023	22,45,900
2	Interest debited by Bank on 26th December, 2023 but no advice received	2,78,700
3	Cheque issued before 31st December, 2023 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, 2023	13,50,000
6	Bills for collection credited by the Bank till 31st December, 2023 but no advice received by the company	8,36,000
7	Amount wrongly debited to company account by the Bank, for which no details are available	7,40,000

Question 5 (CA Foundation July 2021) (5 Marks) _____ Pg no. _____

From the following information, ascertain the Cash Book balance of Mr. Bajaj as on 31st March, 2023:

- a) Debit balance as per Bank Pass Book ₹ 3,500.

- b) A cheque amounting to ₹ 2,500 deposited on 15th March, but the same was returned by the Bank on 24th March for which no entry was passed in the Cash Book.
- c) During March, two bills amounting to ₹ 2,500 and ₹ 500 were collected by the Bank but no entry was made in the Cash Book.
- d) A bill for ₹ 5,000 due from Mr. Balaji previously discounted for ₹ 4,800 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book
- e) A Cheque for ₹ 1,500 was debited twice in the cash book.

Question 6 *(ICAI Study Material)*

Pg no. _____

From the following particulars prepare a bank reconciliation statement as on 31st December 2023:

- a) On 31st December, 2023 cash-book of a firm showed a bank balance of ₹ 60,000 (debit balance).
- b) Cheques had been issued for ₹ 15,00,000, out of which cheques worth ₹ 4,00,000 only were presented for payment.
- c) Cheques worth ₹ 11,40,000 were deposited in the bank on 28th December, 2023 but had not been credited by the bank. In addition to this, one cheque for ₹ 5,00,000 was entered in the cash book on 30th December, 2023 but was banked on 3rd January, 2024.
- d) A cheque from Susan for ₹ 4,00,000 was deposited in the bank on 26th December 2023 but was dishonoured and the advice was received on 2nd January, 2024.
- e) Pass-book showed bank charges of ₹ 2,000 debited by the bank.
- f) One of the debtors deposited a sum of ₹ 5,00,000 in the bank account of the firm on 20th December, 2023 but the intimation in this respect was received from the bank on 2nd January, 2024.
- g) Bank pass-book showed a debit balance of ₹ 3,82,000 on 31st December, 2023

Question 7 *(ICAI Study Material)*

Pg no. _____

Prepare a bank reconciliation statement from the following particulars on 30th September, 2023:

Particulars	Amount
Debit balance as per bank column of the cash book	37,20,000
Cheque issued to creditors but not yet presented to the bank for payment	7,20,000
Dividend received by the bank but not yet entered in the cash book	5,00,000
Interest allowed by the bank	12,500
Cheques deposited into bank for collection but not collected by bank up to this date	15,40,000
Bank charges not entered in Cash Book	2,000
A cheque deposited into bank was dishonoured, but no intimation received	3,20,000
Bank paid house tax on our behalf, but no information received from bank in this connection.	3,50,000

Question 8 *(CA Foundation June 2022) (5 Marks)*

Pg no. _____

From the following particulars, prepare a Bank Reconciliation Statement on 31st March 2023

Particulars	Amount (₹)
Bank balance as per Pass Book	25,00,000
Bills discounted dishonored not recorded in Cash Book	12,50,000
Cheque received entered twice in Cash Book	25,000
Bank charges entered twice in Cash Book	5,000
Insurance premium paid directly by Bank under-standing instruction	1,50,000

Cheque issued but not presented to Bank for payment	12,50,000
Cheque received, but not sent to Bank	28,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	12,50,000
Credit side of the Bank column cast short	5,000

Question 9 (CA Foundation Nov 2018) (10 Marks) / (RTP May 2020) Pg no. _____

Prepare a Bank Reconciliation Statement from the following particulars as on 30th September, 2023:

Particulars	Amount
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 the bank but not entered in the Cash book	2,50,000
Interest allowed by the Bank	6,250
Cheques deposited into the bank for collection but not collected by bank upto this date	7,70,000
Bank Charges not entered in Cash Book	1,000
A cheque deposited into bank was dishonored but no intimation received	1,60,000
Bank paid house tax on our behalf but no intimation received from bank in this connection	1,75,000

Question 10 (RTP May 2019)/(RTP May 2023) (Similar) Pg no. _____

On 30th November, 2023, the Cash Book of Mr. Hari showed an overdrawn position of ₹ 4,480 although his Bank Statement showed only ₹ 3,200 overdrawn. An examination of the two records showed the following errors:

- The debit side of the Cash Book was undercast by ₹ 400.
- A cheque for ₹ 1,600 in favour of Y suppliers Ltd. was omitted by the bank from the statement, the cheque was debited to another customer's Account.
- A cheque for ₹ 172 drawn for payment of telephone bill was recorded in the Cash Book as ₹ 127 but was shown correctly in the Bank Statement.
- A cheque for ₹ 425 from Mr. Pal paid into bank was dishonoured and shown as such on the Bank Statement, although no entry relating to the dishonoured cheque was made in the Cash Book.
- The Bank had debited a cheque for ₹ 150 to Mr. Hari's Account by mistake, it should have been debited by them to Mr. Kar's Account.
- A dividend of ₹ 100 was collected by the bank but not entered in the Cash Book.
- Cheques totalling ₹ 1,300 drawn on November was not presented for payment.
- Cheque for ₹ 1,200 deposited on 30th November was not credited by the Bank.
- Interest amounting to ₹ 300 was debited by the Bank but yet to be entered in the Cash Book.

You are required to prepare a Bank Reconciliation Statement on 30th November, 2023.

Question 11 (CA Foundation May 2019) (10 Marks) Pg no. _____

Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2023 from the particulars given below:

- The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2023.
- A cheque worth ₹400 directly deposited into Bank by customer but no entry was made in Cash Book
- Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2023.

- (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, 2023, ₹ 14,000
 - (2) Cheques collected on 10th July, 2023, ₹ 4,000
 - (3) Cheques collected on 12th July, 2023, ₹ 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 under cast by ₹ 2,000.

Question 12 (ICAI Study Material)

Pg no. _____

On 30th December, 2023 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:

- 1) Cheques amounting to ₹ 6,30,000 which were issued to trade payables and entered in the cash book before 30th December, 2023 were not presented for payment until that date.
- 2) Cheques amounting to ₹ 2,50,000 had been recorded in the cash book as having been paid into the bank on 30th December, 2023, but were entered in the bank statement on 1st January, 2024.
- 3) A cheque for ₹ 73,000 had been dishonoured prior to 30th December, 2023, but no record of this fact appeared in the cash book.
- 4) A dividend of ₹ 3,80,000, paid direct to the bank had not been recorded in the cash book.
- 5) Bank interest and charges amounting to ₹ 4,200 had been charged in the bank statement but not entered in the cash book.
- 6) No entry had been made in the cash book for a trade subscription of ₹ 10,000 paid vide banker's order in November, 2023.
- 7) A cheque for ₹ 27,000 drawn by B. Philip had been charged to A. Philip's bank account by mistake in December, 2023.

You are required:

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

Question 13 (RTP May 2021)

Pg no. _____

From the following information (as on 31.3.2023), prepare a bank reconciliation statement after making necessary amendments in the cash book:

Particulars	Amount
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 31.3.2023.

Question 14 (CA Foundation Nov 2019) (10 Marks)

Pg no. _____

On 30th September, 2023, 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:

- a) A cheque for ₹ 11,14,000 deposited on 29th September, 2023 was credited by the bank only on 3rd October, 2023.
- b) A payment by cheque for ₹ 18,000 has been entered twice in the Cash book
- c) On 29th September, 2023, 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, 2023.
- d) Bank charges amounting to ₹ 280 had not been entered in the cash book.
- e) On 6th September 2023, the bank credited ₹ 30,000 to XYZ in error.
- f) A bill of exchange for ₹ 1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2023 but no entry had been made in the books of XYZ.
- g) Cheques issued upto 30th September, 2023 but not presented for payment upto that date totalled ₹ 13,46,000.
- h) 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, 2023 and to prepare a Bank Reconciliation Statement as on that date.

Question 15 (RTP May 2022)

Pg no. _____

From the following particulars of M/s Swapnil enterprises, prepare a Bank reconciliation statement:

- (1) Bank overdraft as per Pass Book as on 31st March, 2023 was ₹ 8,800
- (2) Cheques deposited in Bank for ₹ 5,800 but only ₹ 2,000 were cleared till 31st March.
- (3) Cheques issued were ₹ 2,500, ₹ 3,800 and ₹ 2,000 during the month. The cheque of ₹ 5,800 is still with supplier.
- (4) Dividend collected by Bank ₹ 1,250 was wrongly entered as ₹ 1,520 in Cash Book.
- (5) Amount transferred from fixed deposit A/c into the current A/c ₹ 2,000 appeared only in Pass Book
- (6) Interest on overdraft ₹ 930 was debited by Bank in Pass Book and the information was received only on 3rd April 2023.
- (7) Direct deposit by M/s Rajesh Trader ₹ 400 not entered in Cash Book.
- (8) Corporation tax ₹ 1,200 paid by Bank as per standing instruction appears in Pass Book only.

Question 16 (CA Foundation Nov 2020) (10 Marks)

Pg no. _____

On 31-3-2023, Mahesh's Cash Book showed a Bank overdraft of ₹ 98,700. On comparison he finds the following:

- 1) Out of the total cheques of ₹ 8,900 issued on 27th March, one cheque of ₹ 7,400 was presented for payment on 4th April and the other cheque of ₹ 1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.
- 2) Out of total cash and cheques of ₹ 6,800 deposited in the Bank on 24th March, one cheque of ₹ 2,600 was cleared on 3rd April & other cheque of ₹ 500 was returned dishonoured by the bank on 4th April.

- 3) Bank charges ₹ 35 and Bank interest ₹ 2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.
- 4) A cheque deposited in his another account of ₹ 1,550 wrongly credited to this account by the bank.
- 5) A cheque of ₹ 800, drawn on this account, was wrongly debited in another account by the bank.
- 6) A debit of ₹ 3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2023.
- 7) The bank allowed interest on deposit ₹ 1,000.
- 8) A customer who received a cash discount of 4% on his account of ₹ 1,00,000 paid a cheque on 20th March, 2023. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

Prepare Bank Reconciliation Statement as on 31-3-2023

Question 17 (CA Foundation Jan 2021) (4 Marks)

Pg no. _____

Prepare a Bank Reconciliation Statement from the following particulars as on 31st December, 2023:

Particulars	Amount
Bank Balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31 st December, 2023 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured. Entry for dishonour not made in the Cash Book	5,000
Instruction for payment given to the bank on 31 st December, 2023 but the same effected by the Bank on 01 st January, 2024	4,000

Question 18 (CA Foundation Dec 2021) (10 Marks)

Pg no. _____

According to the cash-book of G there was balance of ₹ 4,45,000 in his bank on 30th June, 2023. On investigation you find that:

- (i) Cheques amounting to ₹ 60,000 issued to creditors have not been presented for payment till the date
- (ii) Cheques paid into bank amounting to ₹ 1,10,500 out of which cheques amounting to ₹ 55,000 only collected by bank up to 30th June 2023
- (iii) A dividend of ₹ 4,000 and rent amounting to ₹ 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.
- (iv) Insurance premium (up to 31st December, 2023) paid by the bank ₹ 2,700 not entered in the cash book.
- (v) The payment side of the cash book had been under cast by ₹ 500
- (vi) Bank charges ₹ 150 shown in the pass book had not been entered in the cash book.
- (vii) A bill payable of ₹ 20,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 6,000 had been discounted with the bank at a cost of ₹ 100 which had also not been recorded in cash book.

You are required:

- (1) To make the appropriate adjustments in the cash book, and
- (2) To prepare a statement reconciling it with the bank pass book

Question 19 *(MTP October 2021)*

Pg no. _____

Prepare a Bank Reconciliation statement for Satyam Traders as on 31st March, 2023. The cash book of Satyam Traders shows a debit balance of ₹ 4,12,200 at bank as on 31st March, 2023, but you find that it does not agree with the balance as per Pass Book. After checking you find the following:

1. On 12th March, 2023 the payment side of the Cash Book was under cast by ₹ 12,000/-
2. A cheque of ₹ 85,000 issued on 20th March, 2023 was not taken in the bank column
3. On 22nd March, 2023 the debit balance of ₹ 18,500 as on the previous day, was brought forwards as credit balance.
4. Out of the total cheques amounting to ₹ 42,000 issued in, the last week of March, 2023, cheques aggregating ₹ 28,500 were encashed in March, 2023.
5. Dividends of ₹ 35,000 collected by the Bank and Fire insurance premium of ₹ 20,000 paid by it were not recorded in the cash book.
6. One cheque issued to a Creditor of ₹ 1,29,000 was recorded twice in the Cash book.
7. A debtor Mr. A has deposited the Cheque for ₹ 32,000 into the bank directly in the month of March, 2023 without intimating to Satyam Traders and the same cheque was dishonored by the bank due to insufficient funds in the month of March itself.
8. A cheque from customer for ₹ 5,000 was deposited in bank on 28th March, 2023 but was dishonored and advice received from bank on 3rd April, 2023.
9. Bank paid credit card bill of ₹ 2,500 which is not recorded in cash book.
10. Bank wrongly credited cheque of ₹ 25,000 of other customer in our account.
11. Bank credited cheque of ₹ 2,000 in savings account of proprietor of Satyam Traders instead of crediting cheque in current account of Satyam Traders.
12. ₹ 500 discount received wrongly entered in bank column in cash book.
13. Bank debited charges ₹ 200 on 25th March for which no intimation received till 31st March.

Note: Do not make adjusted cash book.

Question 20 *(CA Foundation Dec 2022) (10 Marks)*

Pg no. _____

The cash book of Mr. Karan shows ₹ 2,60,400 as the balance of bank as on 31st December, 2023 but you find that it does not agree with the balance as per the bank pass book. On analysis, you found the following discrepancies:

- a. On 15th December, 2023 the payment side of the cash book was overcast by ₹ 10,000.
- b. A Cheque for ₹ 1,18,000 issued on 6th December, 2023 was not taken in the bank Column.
- c. On 20th December, 2023 the debit balance of ₹ 8,460 as on the previous day, was brought forward as credit balance in the cash book.
- d. Of the total cheques amounting to ₹ 12,370 drawn in the last week of December 2023, cheques aggregating ₹ 9,360 were encashed in December, 2023.
- e. Dividends of ₹ 35,000 collected by the bank and fire insurance premium of ₹ 7,900 paid by the bank were not recorded in the cash book.
- f. A Cheque issued to a creditor of ₹ 1,75,000 was recorded twice in the cash book.
- g. Bill for collection amounting to ₹ 53,000 credited by the bank on 21st December, 2023 but no advice was received by Mr. Karan till 31st December, 2023.
- h. A Customer, who received a cash discount of 3% on his account of ₹ 60,000 paid a cheque on 10th December, 2023. The cashier erroneously entered the gross amount in the bank column of the cash book.

You are required to prepare the bank reconciliation statement as on 31st December, 2023.