

ACCOUNTANCY

Chapter 5: Bank Reconciliation Statement



Bank Reconciliation Statement

Introduction to a Bank Reconciliation Statement

Meaning and Importance of Bank Reconciliation Statement and some important terms:

➤ **Bank Reconciliation Statement:**

▪ **Meaning:**

- i. It is statement that is prepared by a person who is holding an account with a bank on a particular date.
- ii. Basically, it helps to reconcile the bank balance as per cash book with the balance as per bank pass book and shows those entries that caused the differences between the two balances at a particular point of time.

▪ **Importance:**

- i. It identifies the errors in the cash book or in the bank pass book.
- ii. It discourages misappropriation or misuse of funds available for business activities.
- iii. It helps in verifying the entries recorded in the cash book for accuracy.
- iv. It ensures that appropriate balances are shown in the cash book and bank pass book.
- v. It highlights the cheques issued but not presented for payment or cheques recorded in the cash book but stilling pending due to clearance delay.

➤ **Meaning of Cash Book and Bank Pass Book:**

▪ **Cash Book:**

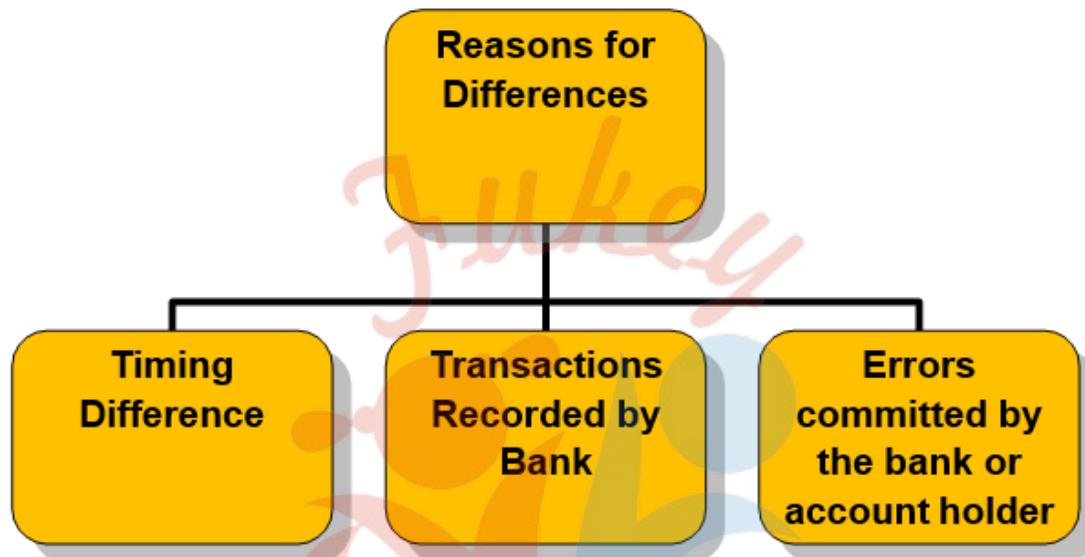
- i. It is a type of subsidiary book which records only cash and bank transactions in chronological order.
- ii. All receipts in cash (including cheque) are recorded on the debit side, whereas all payments in cash (including cheque) are recorded on the credit side of the cash book.

➤ **Bank Pass Book:**

- i. All the banks maintain an account of the account holder in their books. In the account, all the deposits by the account holder are recorded on the credit side and withdrawals on the debit side of the account.
- ii. A copy of such account it is given to the account holder in the form of Statement or Pass Book.

- iii. Debit Balance in the Pass Book represents bank is to recover some amount from the account holder and credit balance means bank is to pay the account holder the required balance in the account

Reasons for difference between Bank Balances as per Cash Book and Bank Statement or Bank Pass Book



- **Timing Differences:** There is always some difference of time while the transactions are being recorded by bank in its records and further by the business entity in its records or vice versa.
 - **Cheques issued but not yet presented for payment:** In a cash book, the cheques issued for payment are recorded without any delay. But the bank records the entry only when the cheque is presented to them for payment. Hence, there is a time gap between the entry made in the cash book and the one made in the bank pass book. E.g. a cheque of ₹10,000 that is issued on 4th June, 2016 and presented to the bank for payment on 12th July, 2016. This information will be recorded in the cash book on 4th June while the bank will record it on 12th July, 2016. Hence, the cash book balance will be lesser by ₹10,000 on 30th June 2016.
 - **Cheques deposited in the bank but not yet cleared:** The cheques received from customers, vendors or elsewhere, are recorded in the cash book the same day we deposit it in the bank on the debit side of the cash book. However, the bank credits the account holder's account only when it receives the payment from the other bank. Hence, there is a time gap between the deposit of cheques and the credit given by the bank. Thus, the bank balances will always differ at any point of time between these two dates. E.g. a cheque of ₹10,000 deposited in the bank on 4th June, 2016 and is collected by bank on 7th June, 2016. This information will be recorded in the cash book on 4th June while the bank will record the cheque collected on 7th June, 2016. Hence, the cash book balance will be higher by ₹10,000 on 5th June 2016.

➤ **Transactions recorded by the bank:**

- **Interest credited by the bank but not recorded in the cash book:** Bank allows interest on the amount deposited by the account holder and credits the account holder's account periodically, say after every 3 months. Thus, the balance of an account holder increases by this amount in the books of the bank. However, the account holder records it only when she/he realises or comes across the information about the interest allowed by the bank. Hence, the balance as per bank pass book will be higher than the balance as per cash book on a particular date for the time being.
- **Interest and dividends collected by the bank:** On behalf of the account holder, bank may be assigned the task to collect interest and dividends and credits the same to account holder's account. But the account holder will come to know only when she/he receives the bank statement
that the said amount has been received on account of interest or dividend so collected. Hence, the balance as per bank pass book will be higher than the balance as per cash book for the time being.
- **Bank charges and interest charged by the bank not recorded in the cash book:** Bank renders certain services to its customers for which it charges an amount known as bank charges or service charges. Also, bank do charges interest for providing overdraft facilities. Bank debits the account holder's account in its book with the required amount in form of interest or bank charges. However, the account holder realises the same only when she/he receives the bank statement. Hence, the balance as per bank pass book will be lesser than the balance as per cash book for the time being.
- **Direct payments by the bank:** It is payment made by the bank against the standing instruction by the account holder to the bank for making payments to his clients/vendors/or any one on his/her behalf. Say, the payment of insurance premium. The bank will debit the account holder's account for making payments on his/her behalf. However, the account holder will realise it only when she/he receives the bank statement. Hence, the balance as per bank pass book will be lesser than the balance as per cash book for time being.
- **Direct deposit into bank by a customer:** Similar to direct payment, some of the customers/clients may directly deposit their dues to the bank account. The amount that will be received by the bank will be credited to the account holder's account by bank. But the account holder will come to know only when she/he receives the bank statement. Hence, the balance as per bank pass book will be higher than the balance as per cash book for the time being.
- **Dishonour of a bill discounted with the bank:** There are chances that the bank does not receive payment against bills of exchange or promissory notes discount by it. In such cases, bank debits the account holder's account along with the charges incurred by it. But the account holder comes to know about the fact of dishonor only when she/he receives the bank statement. Hence, the balance as per cash book will be higher than the balance as per bank pass book for the time being.
- **Bills collected by the bank on behalf of the customer:** There are scenarios where sales

actually happen through bank (documentation). Here, bank actually collects the amount and credits the same to the respective account. The account holder will increase her/his cash balance only when the bank sends her/him the bank statement quoting bills of said amount have been collected. Hence, the balance as per bank pass book will be higher than the balance as per cash book for the time being

- **Errors committed by the bank or account holder:** There are always the chances for some errors or omissions to occur on both the sides, either by account holder or the bank. For example, a cheque of

30,000 deposited in the bank is recorded as ₹3,000 or ₹3, 00,000 in the cash book i.e. undercasting or overcasting of cash book. Similarly, when a cheque of ₹10,000 is collected by bank on behalf of the account holder, say, Mr. Arun, it might be entered in the account of Mr. Varun. In such scenarios, there arises a difference in the balances as per cash book when compared with the bank pass book.

Preparation of Bank Reconciliation Statement

Procedure for Preparing Bank Reconciliation Statement: A Bank Reconciliation Statement (BRS) is prepared immediately after receiving the bank statement or pass book from the bank. Certain points to be noted while making an entry in a cash book and pass book are as follows:

- The debit side of the entries of the cash book should always tally with the credit entries of the pass book and vice versa. Mark the items appearing in both the cash book and pass book and the items which are not marked will be the differences in the balances between the cash book and bank statement.
- A bank reconciliation statement is prepared by obtaining either the balance as per cash book or pass book as a starting point.

The following points are necessary to understand in BRS preparation:

- The date on which a BRS is prepared.
- The cash balance or pass book balance is considered as a basis of bank reconciliation i.e. if the starting point is a cash book balance, then the ending point will be the balance as per cash book. Similarly, if the starting point is a pass book balance, then the ending point will be the balance as per the pass book.
- A debit balance in cash book or a credit balance in pass book indicates that the account has cash deposited in it. This amount can be treated as an asset of the firm and can be called favourable balance noted under the plus items.
- Credit balance as per cash book or debit balance as per pass book means overdraft i.e. withdrawal of cash has been in excess that that of the deposits made. It is treated as a liability and is called unfavourable balance noted under the minus items.
- Cash book balance increases by debiting an item to the cash book while it decreases by crediting an item to the cash book.
- Pass book balance decreases or overdraft increases by debiting an item to the bank

pass book while pass book balance increases or overdraft decreases by crediting an item to the pass book.

Format for Bank Reconciliation Statement

Proforma of bank reconciliation statement

| Sr. No. | Particulars | Amount | Amount |
|------------|---|----------|-------------|
| | | ₹ (+) | ₹ (-) |
| | Balance as per cash book | | |
| | Cheques issued but not presented | | |
| | Interest credited by the bank | | |
| | Cheque deposited but not credited by the bank | | |
| | Bank charges not recorded in the cash book | | |
| | Balance as per the passbook. | | XXXX |

BRS: Starting with Cash Book Balance

➤ Cash Book with Debit Balance:

- If Bank Reconciliation Statement has debit balance, i.e. favourable balance as per cash book as the starting balance, then each entry causing difference is analysed to find its effect on the cash book balance i.e. whether there is an increase or decrease in the cash book balance so as to arrive at the balance as per Pass Book.
- The table below shows some of these items which are added to or deducted from the Cash Book debit balance in order to arrive at the Bank Statement or Bank Pass Book balance.

Items to be Added

1. Cheque issued but not presented for payment
2. Cheque/Cash deposited directly in the bank
3. Interest Allowed by the Bank
4. Interest/Dividend collected by the bank
5. Bills of Exchange realized
6. Wrong credit granted by bank

Items to be Deducted

1. Cheque deposited but not collected/credited
2. Cheque recorded but not deposited
3. Interest charged by bank
4. Cheque/BoE dishonoured
5. Bank Charges
6. Payments made by bank as per standing instructions
7. Wrong debit by bank

➤ Cash Book with Credit Balance:

- Bank reconciliation statement, if started with credit balance (unfavourable/overdraft) as per cash book, then each entry causing difference is analysed to find its effect on the cash book balance i.e. increase or decrease in overdraft balance as per cash book.
- The table below shows some of these items which are added to or deducted from the Cash Book credit balance in order to arrive at the Bank Statement or Bank Pass Book balance.

Items to be Added

1. Cheque deposited but not collected/credited
2. Cheque recorded but not deposited
3. Interest charged by bank
4. Cheque or B/R dishonoured
5. Bank Charges
6. Payments made by bank as per standing instructions
7. Wrong debit by bank
8. Cheques issued not recorded in Cash Book

Items to be Deducted

1. Cheque issued but not presented for payment
2. Cheque/Cash deposited directly in the bank
3. Interest Allowed by the Bank
4. Interest/Dividend collected by the bank
5. Cheques deposited but not recorded in Cash Book
6. Bills of Exchange realized
7. Wrong credit granted by bank

BRS: Starting with Pass Book Balance

➤ Pass book with credit balance:

- Bank reconciliation statement, if started with credit balance (favourable) as per pass book, then each entry causing difference is analysed to find its effect on pass book balance i.e. increase or decrease in the balance as per pass book.
- The table below shows some of these items which are added to or deducted from the Pass Book debit balance in order to arrive at the Cash Book balance.

Items to be Added

1. Cheque deposited but not collected/credited
2. Cheque recorded in Cash Book but not deposited
3. Interest charged by bank not recorded in Cash Book
4. Cheque or B/R dishonoured
5. Bank Charges
6. Payments made by bank as per standing instructions (incl. B/P)
7. Wrong debit by bank

Items to be Deducted

1. Cheque issued but not presented for payment
2. Cheque/Cash deposited directly in the bank
3. Interest Allowed by the Bank
4. Interest/Dividend collected by the bank
5. Cheques deposited but not recorded in Cash Book
6. Bills of Exchange realized
7. Wrong credit granted by bank

➤ Pass book with debit balance:

- Bank reconciliation statement, if started with debit balance (unfavourable) or overdraft as per pass book, then each entry causing difference is analysed to find its effect on pass book balance i.e. increase or decrease in the balance as per pass book.
- The table below shows some of these items which are added to or deducted from the Pass Book credit balance in order to arrive at the Cash Book balance.

Items to be Added

1. Cheque issued but not presented for payment
2. Cheque deposited directly in the bank
3. Interest Allowed by the Bank
4. Interest/Dividend collected by the bank
5. Cheques deposited but not recorded in Cash Book
6. Bills of Exchange realized
7. Wrong credit granted by bank

Items to be Deducted

1. Cheque deposited but not collected/credited
2. Cheque recorded in Cash Book but not deposited
3. Interest charged by bank not recorded in Cash Book
4. Cheque or B/R dishonoured
5. Bank Charges
6. Payments made by bank as per standing instructions (incl. B/P)
7. Wrong debit by bank

BRS: Amended Cash Book Method

Meaning: Generally, the bank reconciliation statement is prepared by reconciling the causes of differences between the cash book and pass book. But, in actual practice, adjustments are done in the cash book by comparing the bank column of cash book with the bank. This is called amended cash book method.

- ❖ **Steps:** Starting with the corrected Cash Book Balance, following steps are necessary to be taken:
- Prepare Cash Book having Bank column only. Mention the debit and credit balances of the Cash Book on the respective sides of the Cash Book.
 - All errors which have been committed in the cash book are rectified by passing adjusting entries in the cash book for the following:
 - Items recorded in the Pass Book but not recorded in the Cash Book, i.e., omitted to have been recorded in the Cash Book like bank charges, interest allowed, direct payments by banks, interest charged, dividend/interest/bills receivables directly collected in bank, etc.
 - Errors committed in the Cash Book such as wrong amount of cheques been recorded, errors in carrying forward or brought forward bank balance, over or under casting of bank column, etc.
 - With this the balance as per Adjusted Cash Book is known.
 - Now, the Adjusted Cash Book Balance is taken as starting point and the BRS is prepared by listing the entries causing differences and arriving at the balance as per Bank Statement or Bank Pass Book.

Future's Key

Fukey Education

Class : 11th Accountancy
Chapter- 5 : Bank Reconciliation Statement

Features of B.R.S.

- Reconciles the difference between Cash Book and Pass Book
- Prepared Periodically
- Prepared by Customers
- Not a Part of Double Entry System
- Neither Journal nor Ledger

Bank Reconciliation Statement

Importance of B.R.S.

- Shows the accuracy of cash book
- Helps to detect mistakes
- Helps in detection of delay in clearance of cheque
- Helps in prevention of embezzlement

Format (Performa) of B.R.S.

| Particulars | Amount | Amount |
|--------------------------|--------|--------|
| Balance as per Cash book | | |
| Add: _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| Less: _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| Balance as per Pass book | | _____ |
| | | |

Important Questions

Multiple Choice Questions-

Question 1. Credit balance as per pass book is?

- (a) Unfavorable balance
- (b) Favorable balance
- (c) Both a & b
- (d) None

Question 2. The balance on the debit side of the bank column of cash book indicates?

- (a) The total amount has drawn from the bank
- (b) Cash at bank
- (c) The total amount overdraft in the bank
- (d) None of above

Question 3. Which of the following would not affect bank reconciliation?

- (a) Dishonored cheque
- (b) Discount received
- (c) Bank interest
- (d) Check not presented

Question 4. When cash is deposited into bank then the following account would be debited in the company accounts?

- (a) Cash account
- (b) Overdraft account
- (c) Bank account
- (d) None

Question 5. Overdraft means _____ balance of Cash Book.

- (a) closing
- (b) debit
- (c) opening
- (d) credit

Question 6. A statement which is used to reconcile the bank balance as per cash book and bank statement is called:

- (a) Financial Statement
- (b) Bank Reconciliation Statement
- (c) Bank Statement

(d) Income Statement

Question 7. Debiting an entry in Cash Book _____ cash balance.

- (a) increases
- (b) decreases
- (c) nullifies
- (d) none of the above.

Question 8. A pass book is a copy of

- (a) A customer's account in the bank's books
- (b) Cash book relating to bank column
- (c) Cash book relating to cash column
- (d) Firm's receipts and payments

Question 9. Bank reconciliation statement is prepared by:

- (a) Banker
- (b) Accountant
- (c) Auditor
- (d) None of these

Question 10. Any decrease in the bank balance is recorded on ____ side of Cash Book and in ____ Column of Pass Book.

- (a) Debit; Credit
- (b) Credit; Debit
- (c) None of the given options

Very Short-

1. Define the bank reconciliation statement
2. What do you mean by a debit balance in Passbook?.
3. State two reasons for the difference between the company's cash book and bank balance?
4. Why is the bank reconciliation statement important?
5. Which balance is caused an overdraft of cash book and passbook?
6. Mention two items drafted in a plus column while starting with a debit balance of cash book.

Short Questions-

1. Mention two items drafted in a minus column while starting with a debit balance of cash book?

2. Mention two items drafted in a minus column while starting with an overdraft balance of cash book.
3. Mention two items drafted in a plus column while starting with an overdraft balance of cash book.
4. What does favourable balance in passbook indicate?
5. What is meant by debit balance in pass book?
6. What does unfavourable balance in pass book indicate?
7. Briefly explain the statement 'wrongly debited by the bank' with the help of an example.

Long Questions-

1. Bank Statement of a customer shows a bank balance of Rs.62,000 on 31 March 2018. On comparing it with the cash book, the following discrepancies were noted
 - I. Cheques were paid into the Bank in March but were credited in April.
P – Rs.3,500, Q – Rs.2,500. R – Rs.2,000
 - II. Cheques issued in March were Presented in April
X – Rs.4,000, Q – Rs.4,500
 - III. Cheque for Rs.1,000 received from a customer entered in the cash book but was not banked
 - IV. Passbook shows a debt of Rs.1,000 for bank charges and credit of Rs.2,000 as interest
 - V. Interest on investment Rs.2,500 collected by the bank appeared in the passbook.
 Prepare Bank Reconciliation Statement the balance as per cash book on 31 March 2018.
2. Prepare Bank Reconciliation statement on 31st March 2018 from the following particulars:
 - I. R's overdraft as per the Pass Book Rs.12,000 as on 31st March
 - II. On 30th March, Cheques had been issued for Rs.70,000 of which cheques worth Rs.3,000 only had been encashed up to 31st March.
 - III. Cheques amounting to Rs.3,500 had been paid into the bank for collection but of this only Rs.500 had been credited in the Pass Book.
 - IV. Bank has charged Rs.500 as interest on overdraft and the intimation of which has been received on 2nd April 2018.
 - V. Bank Pass Book shows credit for Rs.1,000 representing Rs.400 Paid by debtor of R direct into the Bank and Rs.600 collected directly by Bank in respect of interest on R's investment. R had no knowledge of these items.
 - VI. A cheque for Rs.200 has been debited in bank column of Cash Book by R, but it was

not sent to Bank at all.

3. Prepare Bank Reconciliation Statement as on 30th September 2016 from the following particulars:

| | |
|---|--------------|
| 1. (i) Bank Balance as per Pass Book | 2. Rs.10,000 |
| 3. (ii) Cheque deposited into bank but no entry was passed in Cash Book | 4. Rs.500 |
| 5. (iii) Cheque received and entered in Cash book but not sent to Bank | 6. Rs.1,200 |
| 7. (iv) Insurance premium paid directly by the Bank | 8. Rs.800 |
| 9. (v) Bank charges entered twice in the Cash Book | 10. Rs.20 |
| 11. (vi) Cheque received entered twice in Cash Book | 12. Rs.1,000 |
| 13. (vii) Bill discounted dishonoured not recorded in the Cash Book | 14. Rs.5,000 |

4. The following facts relate to the business of Roshan who requires you to reconcile his cash book with the passbook balance.

| | Amt(Rs.) |
|-----------------------------------|----------|
| Balance as per cash book (Credit) | 2,800 |
| Unpresented cheques | 3,440 |
| Uncredited cheques | 2,260 |

Additional Information

- I. The debit side of the cash book (bank column) has been undercast by Rs 500.
- II. A cheque of Rs 200 paid to a creditor has been entered by mistake in the cash column.
- III. Bank charges Rs 80 have not been entered in the cash book.

Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -

Vinni has joined as an intern in Elegance Ltd a FMCG company. She has joined under the accounting department. Her supervisor Ms. Mini works as an accountant in Elegance Ltd. On day 1 of her internship, Vinni is taught how to prepare a bank reconciliation statement. Vinni is completely new to the topic and wasn't aware about the need and procedure for preparation of bank reconciliation statement. Later, Ms Mini explained her the need and procedure for preparation of bank reconciliation statement and asked her to prepare the bank reconciliation statement for Elegance Ltd for the month of March 2021.

Questions

1. What documents of Elegance Ltd does Vinni require for preparation of bank reconciliation statement?
 - (a) Cash book of Elegance Ltd
 - (b) Pass book of Elegance Ltd
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
2. Using which of the following statements would Ms Mini have explained the importance of bank reconciliation statement to Vinni?
 - (a) It helps to assure the customer about the correctness of the bank balance shown by the pass book.
 - (b) It helps the management to keep a track of cheques, which have been sent to the bank for collection.
 - (c) Embezzlements are avoided by regular periodic reconciliation.
 - (d) All of the above
3. How would have Ms Mini classified the reasons for differences between cash book and bank book balances?
 - (a) Timing differences in recording of the transactions.
 - (b) Errors made by the business or by the bank.
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)

4. Using which of the following statements would MsMini have explained the need of bank reconciliation statement to Vinni?
- To match the balances as it is generally experienced that when a comparison is made between the bank balance as shown in the firm's cash book and the bank statement, the two balances do not tally.
 - To find out the cash balance.
 - To understand liquidity position of the firm.
 - None of the above
5. 'Debit balance as per pass book and credit balance as per cash book is a favourable balance'. You are required to answer on Vinni's behalf whether the above statement is
- True
 - False
 - Can't say
 - Partially true

2. Read the following hypothetical text and answer the given questions: -

On 31st March, 2021, Mr. Dua's cash book showed a bank balance of ₹ 3,72,000. It differed with the balance shown in his pass book. A closer scrutiny revealed that there were heques issued to creditors but not yet presented to the bank for payment amounted to ₹ 72,000. Dividend of ₹ 5,000 was received by the bank but not entered in the cash book. Interest of ₹ 1,250 was allowed by the bank. Cheques of ₹ 15,400 were deposited into bank for collection but not collected by bank upto this date. Bank charges amounted to ₹ 200. A cheque of ₹ 320 deposited into bank was dishonoured but no intimation was received. Bank paid house tax of ₹ 350 on his behalf but no information was received from the bank in this connection.

Questions:

- Difference caused due to bank charges amounting to ₹ 200, is an example of
 - timing differences in recording of transactions.
 - errors made by the business.
 - errors made by the bank.
 - None of the above
- Bank paid house tax of ₹ 350 on his behalf but no information was received from the bank will lead to
 - balance in cash book greater than the balance of pass book.
 - balance in cash book lesser than the balance of pass book.
 - balance in pass book greater than the balance of cash book.

- (d) None of the above
3. Cheques of ₹ 15,400 were deposited into bank for collection but not collected by bank will be
- (a) added to debit balance of cash book.
(b) deducted from debit balance of cash book.
(c) ignored.
(d) None of the above
4. Cheques issued to creditors but not yet presented to the bank for payment amounting to ₹ 72,000 will be
- (a) added to debit balance of cash book.
(b) deducted from debit balance of cash book.
(c) ignored.
(d) None of the
5. What is the balance of pass book on 31st March, 2021?
- (a) ₹ 4,33,980
(b) ₹ 4,50,250
(c) ₹ 3,72,000
(d) None of these

MCQ Answers-

1. Answer: Favorable balance
2. Answer: Cash at bank
3. Answer: Discount received
4. Answer: Bank account
5. Answer: credit
6. Answer: Bank Reconciliation Statement
7. Answer: increases
8. Answer: A customer's account in the bank's books
9. Answer: Accountant
10. Credit; Debit

Very Short Answers-

1. Ans. Bank reconciliation statement is a statement that helps the business in matching the bank transactions recorded in company books with that present in the bank statement. It is useful in checking correctness of recorded data in books of company and therefore ensures accuracy of bank records.

2. Ans The debit balance in passbook means overdraft.
3. Ans. The two reasons for the difference between the company's cash book and bank balance
 - Bank issued cheque but not yet presented for payment
 - Cheque deposited but not cleared
4. Ans. The bank reconciliation statement is important to determine the cause for the difference made on the part of the bank or customers side.
5. Ans. Cash book Cr. and Passbook Dr. balances.
6. Ans. The two items drafted in a plus column while starting with a debit balance of cash book are.
 - Bank issued cheque but not yet presented for payment
 - Interest allowed by the bank but not recorded in the cash book

Short Answers-

1. Ans. The two items drafted in a minus column while starting with a debit balance of cash book are.
 - Cheque deposited but not cleared
 - Bank made direct payment from the customer's side
2. Ans. The two items drafted in a minus column while starting with an overdraft balance of cash book are.
 - Cheque deposited but not cleared
 - Bank made direct payment from the customer's side
3. Ans. The two items drafted in a plus column while starting with an overdraft balance of cash book are.
 - Bank-issued cheque but not yet presented for payment
 - Interest allowed by the bank but not recorded in the cash book
4. Favourable balance in the passbook indicates the actual amount customer has in its account i.e. the Credit balance.
5. Ans. Debit balance in pass book indicates the overdraft i.e. the amount customer has withdrawn over the excess of amount deposited
6. Unfavourable balance as per pass book means the Debit balance as per passbook.
7. Wrongly debited by the bank is an error done by the bank which means that bank has deducted wrong amount from the account which can be better understood with the following example:-When a firm issued a cheque of Rs 1,500 to any of its creditor and it is presented for payment and paid by the bank but in place of Rs 1,500 bank debited it wrongly by Rs 15,000. The above error may be opposite too but in every situation, the balance of cash book and pass book will not tally. The term will be used for it will be

wrongly debited by the bank, it generally happens at the time of posting the transaction

Long Answers-

1. Answer - BANK RECONCILIATION STATEMENT

as on March 31, 2018

1.

| Particulars | (Cr.) | (Dr.) |
|---|--------|--------|
| Balance as per Pass Book (Cr.) | 62,000 | |
| Cheques not yet collected | 8,000 | |
| Cheques not yet presented | | 8,500 |
| Cheque omitted to be banked | 1,000 | |
| Bank Interest | | 2,000 |
| Bank charges | 1,000 | |
| Interest on investment | | 2,500 |
| Balance as per Cash Book (Dr.) (Balancing figure) | | 59,000 |
| | 72,000 | 72,000 |

2. BANK RECONCILIATION STATEMENT

as on 31st March, 2018

| Particulars | (+) | (-) |
|---|-------|--------|
| Unfavourable balance as per Pass Book (Dr.) | | 12,000 |
| Cheques not yet presented | | 67,000 |
| Cheques not yet collected | 3,000 | |
| Interest on Investments | | 600 |

| | | |
|---|--------|--------|
| Directly deposited by a customer | | 400 |
| Cheques omitted to be Banked | 200 | |
| Bank charges | 500 | |
| Unfavourable balance as per Cash Book (Cr.) (Balancing figure) | 76,300 | |
| | 80,000 | 80,000 |

**3. Bank Reconciliation Statement
as on 30th Sep., 2016**

| Particulars | (+) | (-) |
|---|--------|--------|
| Balance as per Pass Book (Cr.) | 10,000 | |
| Cheque deposited but no entry passed in Cash Book | | 500 |
| Cheque omitted to be Bank | 1,200 | |
| Insurance premium paid | 800 | |
| Bank charges entered twice in the Cash Book | | 20 |
| Cheque received entered twice in the Cash Book | 1,000 | |
| Bill dishonoured | 5,000 | |
| Balance as per Cash Book (Dr.) (Balancing figure) | | 17,480 |
| | 18,000 | 18,000 |

4. BANK RECONCILIATION STATEMENT

| Particulars | Plus (Rs.) | Minus (Rs.) |
|-------------|---------------|----------------|
|-------------|---------------|----------------|

| | | |
|--|-------|-------|
| Overdraft as per Cash Book | | 2,800 |
| Add: Cheques issued but not yet presented | 3,440 | |
| Debit side of the cash book has been undercast | 500 | |
| Less: Cheques deposited but not yet credited | | 2,260 |
| Wrongly credited in cash column | | 200 |
| Bank charges not recorded in cash book | | 80 |
| Overdraft as per Pass Book | 1,400 | |
| | 5,340 | 5,340 |

Case Study Answer-

1. Answer:

1. (c) Both (a) and (b)
2. (d) All of the above
3. (c) Both (a) and (b)
4. (a) To match the balances as it is generally experienced that when a comparison is made between the bank balance as shown in the firm's cash book and the bank statement, the two balances do not tally.
5. (b) False

2. Answer:

1. (a) timing differences in recording of transactions.
2. (a) balance in cash book greater than the balance of pass book.
3. (b) deducted from debit balance of cash book.
4. (a) added to debit balance of cash book.
5. (a) ₹ 4,33,980