

Bank Reconciliation Statement

MEANING OF KEY TERMS USED IN THE CHAPTER

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| 1. Bank Reconciliation Statement | Bank Reconciliation Statement is a statement prepared on a particular day to reconcile the bank balance as per Cash Book with the balance as per Bank Pass Book or Bank Statement showing entries causing difference between the two balances. |
| 2. Bank Pass Book or Bank Statement | Bank Pass Book or Bank Statement is a copy of account of the account holder in the books of the bank. |
| 3. Favourable or Debit Balance as per Cash Book | It means surplus amount lying deposited with the bank. It is the difference between debit side and credit side of the bank column of the Cash Book, debit side being bigger. |
| 4. Favourable or Credit Balance as per Pass Book or Bank Statement | It means surplus amount lying deposited with the bank. It is the difference between credit side and debit side of the Bank Pass Book or Bank Statement, credit side being bigger. |
| 5. Unfavourable or Credit Balance as per Cash Book | It means amount overdrawn, <i>i.e.</i> , drawn in excess of deposits. It is the difference between credit side and debit side of the bank column of the Cash Book, credit side being bigger. |
| 6. Unfavourable or Debit Balance as per Bank Pass Book or Bank Statement | It means amount overdrawn, <i>i.e.</i> , drawn in excess of deposits. It is the difference between debit side and credit side of the Bank Pass Book or Bank Statement, debit side being bigger. |
| 7. Overdraft | A situation when the account holder withdraws more money from the bank than the amount available in his/her account. |
| 8. Corrected or Amended Cash Book | As a result of bank reconciliation, entries may have to be passed in the Cash Book. The Cash Book after recording such entries is known as Corrected or Amended Cash Book . |

CHAPTER SUMMARY

- **Bank Reconciliation Statement** is a statement prepared on a particular date reconciling the bank balance in the Cash Book with the balance as per the Bank Pass Book or Bank Statement showing the causes of difference between the two balances.
- **Reasons or Causes of Difference** can be as follows:
 - (i) Cheques issued but not yet presented for payment;
 - (ii) Cheques deposited but not yet cleared;
 - (iii) Interest allowed (credited) by the bank;
 - (iv) Interest and expenses charged by the bank;
 - (v) Interest and dividends collected by the bank;
 - (vi) Direct payments by the bank;
 - (vii) Direct payments into the bank by customer;
 - (viii) Dishonour of bills discounted with the bank;

- (ix) Bills collected by the bank on behalf of customers; and
- (x) Errors committed.

- **Debit Balance** as per Cash Book and **Credit Balance** as per Bank Pass Book means a favourable balance.
- **Credit Balance** as per Cash Book and **Debit Balance** as per Bank Pass Book means an unfavourable balance.
- **Amended Cash Book** is prepared to record unrecorded entries that have been debited and credited by the bank and passing rectifying entries for errors in the Cash Book.

BANK RECONCILIATION STATEMENT—AT A GLANCE

Particulars	Cash Book—Starting Balance		Pass Book—Starting Balance	
	Favourable Balance (Dr. Balance)	Overdraft (Cr. Balance)	Favourable Balance (Cr. Balance)	Overdraft (Dr. Balance)
1. Cheques issued but not yet presented for payment	+	-	-	+
2. Cheques deposited into Bank but not yet collected	-	+	+	-
3. Interest allowed by Bank but not entered in the Cash Book	+	-	-	+
4. Bank charges not entered in the Cash Book	-	+	+	-
5. Direct deposit into the bank by a customer	+	-	-	+
6. Direct payments from the bank not entered in the Cash Book	-	+	+	-
7. Direct collections made by the Bank not entered in the Cash Book	+	-	-	+
8. Cheque issued and payment received by the creditor but not entered in the Cash Book	-	+	+	-
9. Cheque paid into the Bank but omitted to be entered in the Cash Book	+	-	-	+
10. Dishonour of a cheque and Bill discounted with the Bank	-	+	+	-
11. Cheque entered in the Cash Book but not sent to the Bank	-	+	+	-

- **When Favourable Bank Balance as per Cash Book is given:**

Add: Those items which increase the Bank Pass Book favourable balance more than the Cash Book favourable balance.

Deduct: Those items which decrease the Bank Pass Book favourable balance more than the Cash Book favourable balance.

- **When Bank Overdraft as per Cash Book is given:**

Add: Those items which increase the Bank Pass Book overdraft more than the Cash Book overdraft.

Deduct: Those items which decrease the Bank Pass Book overdraft more than the Cash Book overdraft.

- **When Favourable Bank Balance as per Bank Pass Book is given:**

Add: Those items which increase the Cash Book favourable balance more than the Bank Pass Book favourable balance.

Deduct: Those items which decrease the Cash Book favourable balance more than the Bank Pass Book favourable balance.

- **When Bank Overdraft as per Bank Pass Book is given:**

Add: Those items which increase the bank overdraft of the Cash Book more than the Bank Pass Book overdraft balance.

Deduct: Those items which increase the overdraft of the Cash Book more than the Bank Pass Book overdraft balance

Solved Questions

Illustration 1.

Prepare Bank Reconciliation Statement of Shri Krishan as on 31st March, 2020 from the following information:

- (i) Balance as per the Bank Pass Book is ₹ 10,000.
- (ii) Bank collected a cheque of ₹ 500 on behalf of Shri Krishan but wrongly credited it to Shri Kishan's Account (another customer).
- (iii) Bank recorded a cash deposit of ₹ 2,589 as ₹ 2,598.
- (iv) Withdrawals column of the Pass Book undercast by ₹ 100.
- (v) The credit balance of ₹ 1,500 as on Page 10 of the Bank Pass Book was recorded on Page 11 as a debit balance.
- (vi) The payment of a cheque of ₹ 350 was recorded twice in the Bank Pass Book.
- (vii) The Bank Pass Book showed a credit for a cheque of ₹ 1,000 deposited by Shri Kishan (another customer of the Bank).
- (viii) Dividend directly collected by bank ₹ 125.
- (ix) Bill discounted dishonoured not recorded in the Cash Book ₹ 2,500.

Solution:BANK RECONCILIATION STATEMENT *as on 31st March, 2020*

Particulars	Plus Items ₹	Minus Items ₹
Balance as per Bank Pass Book (Cr.)	10,000	
Cheque wrongly credited to another customer's account	500	
Error in carrying forward	3,000	
Cheque recorded twice in Bank Pass Book	350	
Excess credit for Cash Deposit		9
Undercasting of withdrawals column of Bank Pass Book		100
Wrong credit given by bank		1,000
Dividend directly collected by bank		125
Bill discounted dishonoured not recorded in the Cash Book	2,500	
Balance as per Cash Book (Dr.) (₹ 16,350 – ₹ 1,234)		15,116
	<u>16,350</u>	<u>16,350</u>

Illustration 2.

Prepare Bank Reconciliation Statement from the following particulars:

- (i) On 31st March, 2020, Cash Book showed a credit bank balance (*i.e.*, bank overdraft) of ₹ 20,000.
- (ii) Out of the total cheques amounting to ₹ 1,00,000 drawn, cheques aggregating ₹ 30,000 were encashed in March, cheques aggregating ₹ 40,000 were encashed in April and the rest have not yet been presented.
- (iii) Out of the total cheques amounting to ₹ 50,000 deposited, cheques aggregating ₹ 15,000 were credited in March, cheques aggregating ₹ 20,000 were credited in April, and the rest have not yet been collected.

- (iv) Bank has debited ₹ 5,000 on account of interest on overdraft and ₹ 1,000 as bank charges.
 (v) Bank has credited ₹ 7,000 to the account being dividends on shares.
 (vi) Bill Receivable of ₹ 10,000 (discounted with the bank in February) dishonoured on 31st March (but not yet recorded in the Cash Book).

Solution:

BANK RECONCILIATION STATEMENT
as on 31st March, 2020

Particulars	Amount Details (₹)	Amount ₹
Overdraft Balance as per Cash Book (Cr.)		20,000
<i>Less:</i> Cheques issued but not yet presented for payment	70,000	
Dividend collected and credited by Bank	7,000	(77,000)
		(57,000)
<i>Add:</i> Cheques deposited but not yet collected	35,000	
Interest debited by Bank not recorded in Cash Book	5,000	
Bank charges debited by Bank not recorded in Cash Book	1,000	
Discounted Bill Receivable dishonoured not recorded in Cash Book	10,000	51,000
Balance as per Bank Pass Book (Cr.)		(6,000)

The above solution can also be presented with two columns using 'Plus' and 'Minus' method.

BANK RECONCILIATION STATEMENT
as on 31st March, 2020

Particulars	Plus Items ₹	Minus Items ₹
Overdraft as per Cash Book (Cr.)		20,000
Cheques drawn but not presented for payment till 31st March	70,000	
Dividend collected and credited by the Bank	7,000	
Cheques deposited but not collected till 31st March		35,000
Interest on overdraft and bank charges debited by Bank		6,000
Discounted bill receivable dishonoured		10,000
Balance as per Bank Pass Book (Cr.) (₹ 77,000 – ₹ 71,000)		6,000
	77,000	77,000

Illustration 3.

From the following particulars, prepare Bank Reconciliation Statement and ascertain the balance as per Cash Book on 31st March, 2020 in the books of D.K.:

- (i) Bank Pass Book showed an overdraft of ₹ 15,000 on 31st March, 2020.
- (ii) A cheque of ₹ 200 was deposited in the bank but not recorded in the Cash Book.
- (iii) Cheques of ₹ 17,000 were issued but cheques amounting to ₹ 10,000 were presented for payment up to 31st March, 2020.
- (iv) Cheques of ₹ 10,000 were sent to the bank for collection. Out of these, cheques of ₹ 2,000 and of ₹ 1,000 were credited respectively on 7th April and 9th April, 2020 and remaining cheques were credited before 31st March, 2020.

- (v) Bank paid ₹ 300 as Chamber of Commerce fee on behalf of D.K. which was not recorded in the Cash Book.
- (vi) Bank charged interest on overdraft ₹ 800.
- (vii) ₹ 40 for bank charges were recorded two times in the Cash Book and bank expenses of ₹ 35 were not at all recorded in the Cash Book.
- (viii) Payments side of the Cash Book was ₹ 1,000 short.
- (ix) Bank received ₹ 200 as interest on debentures on behalf of D.K.

Solution:

BANK RECONCILIATION STATEMENT

as on 31st March, 2020

Particulars	Amount Details (₹)	Amount ₹
Overdraft Balance as per Bank Pass Book (Dr.)		15,000
<i>Add:</i> Cheque deposited into Bank not recorded in Cash Book	200	
Cheques issued but not presented for payment (₹ 17,000 – ₹ 10,000)	7,000	
Bank charges recorded twice in Cash Book	40	
Interest received on Debentures credited to account by Bank	200	7,440
		22,440
<i>Less:</i> Cheques deposited but not yet credited (₹ 2,000 + ₹ 1,000)	3,000	
Chamber of Commerce Fee paid by bank not recorded in Cash Book	300	
Interest on Overdraft debited by bank	800	
Bank Expenses debited by bank	35	
Cash Book payments side casted short	1,000	5,135
Overdraft Balance as per Cash Book (Cr.)		17,305

Illustration 4.

My Bank Pass Book for Account No. 1 shows an overdraft of ₹ 65,000 on 31st March, 2020. This does not match with the Cash Book balance which shows debit balance of ₹ 17,800. Following differences were noted between Bank Pass Book and Cash Book.

Cheques amounting to ₹ 1,50,000 were paid into the bank in March out of which only cheques amounting to ₹ 45,000 were credited by the bank. Cheques issued during March amounted in all to ₹ 1,10,000. Out of these, cheques for ₹ 30,000 were unpaid on 31st March, 2020. The bank has wrongly debited Account No. 1 with ₹ 5,000 in respect of a cheque drawn on Account No. 2. The Account is debited with ₹ 1,500 for interest and with ₹ 300 for bank charges. The bank has paid annual subscription of ₹ 1,000 to my club as per standing instructions. The entries for interest, bank charges and subscription have not yet been recorded in the Cash Book.

Prepare Bank Reconciliation Statement.

Solution: BANK RECONCILIATION STATEMENT (ACCOUNT NO. 1) as on 31st March, 2020

Particulars	Amount Details (₹)	Amount ₹
Overdraft Balance as per Bank Pass Book (Dr.)		65,000
<i>Add:</i> Cheques issued but not yet presented for payment		30,000
		<u>95,000</u>
<i>Less:</i> Cheques deposited but not yet credited	1,05,000	
Amount wrongly debited by Bank in Account No. 1 instead of Account No. 2	5,000	
Amounts debited by Bank not recorded in Cash Book		
— Interest	1,500	
— Bank Charges	300	
— Club Subscription	1,000	
		1,12,800
Balance as per Cash Book (Dr.)		17,800

The above solution can also be presented with two columns using 'Plus' and 'Minus' method as follows:

BANK RECONCILIATION STATEMENT (ACCOUNT NO. 1) as on 31st March, 2020

Particulars	Plus Items (₹)	Minus Items (₹)
Overdraft Balance as per Bank Pass Book (Dr.)		65,000
Cheques paid into the bank but not entered in the Bank Pass Book (₹ 1,50,000 – ₹ 45,000)	1,05,000	
Cheques issued but not yet presented		30,000
Wrong debit to Account No.1 instead of Account No.2	5,000	
Payment for charges made and entered in Bank Pass Book but not yet entered in Cash Book:		
Interest	1,500	
Bank charges	300	
Club Subscription	1,000	
	2,800	
Balance as per Cash Book (Dr.) (₹ 1,12,800 – ₹ 95,000)		17,800
	1,12,800	1,12,800

Illustration 5.

Following are the entries recorded in the bank column of the Cash Book of Mr. V. K. Gupta for the month ended 31st March, 2020:

Dr. CASH BOOK (BANK COLUMN ONLY) Cr.					
Date	Particulars	₹	Date	Particulars	₹
2020			2020		
March 15	To Cash A/c	36,000	March 1	By Balance b/d	40,000
March 21	To Roy	24,000	March 4	By John	2,000
March 22	To Kapoor	10,000	March 6	By Raj	400
March 31	To Balance c/d	7,640	March 15	By Kailash	240
			March 20	By Joshi	35,000
		<u>77,640</u>			<u>77,640</u>

On 31st March, 2020 Mr. V.K. Gupta received his Bank Statement. On perusal of the statement, Mr. V.K. Gupta ascertained the following information:

- Cheques deposited but not credited by the bank ₹ 10,000.
- Interest on securities collected by the bank but not recorded in the Cash Book ₹ 1,080.
- Credit transfer not recorded in the Cash Book ₹ 200.
- Dividend collected by the bank directly but not recorded in the Cash Book ₹ 1,000.
- Cheques issued but not presented for payment ₹ 37,400.

(vi) Interest debited by the bank but not recorded in the Cash Book ₹ 1,000.

(vii) Bank charges not recorded in the Cash Book ₹ 340.

From the above information, prepare Bank Reconciliation Statement to ascertain the balance as per the Bank Statement.

Solution: BANK RECONCILIATION STATEMENT *as on 31st March, 2020*

Particulars	Plus Items ₹	Minus Items ₹
Bank Overdraft as per Cash Book (Cr.)		7,640
Cheques deposited but not credited		10,000
Interest on securities collected by the bank but not recorded in the Cash Book	1,080	
Credit transfer not recorded in the Cash Book	200	
Dividend collected by the bank directly but not recorded in the Cash Book	1,000	
Cheques issued but not presented for payment	37,400	
Interest debited by the bank but not recorded in the Cash Book		1,000
Bank charges not recorded in Cash Book		340
Bank Balance as per Bank Pass Book (Cr.) (₹ 39,680 – ₹ 18,980)		20,700
	39,680	39,680

Illustration 6.

On 31st March, 2020, the Cash Book of a merchant showed a debit balance of ₹ 8,500. On comparing the Cash Book with the Bank Pass Book, the following discrepancies were identified:

- Cheques issued for ₹ 6,000 were not presented at bank by 31st March, 2020.
- Cheques for ₹ 8,000 were deposited in bank but were not cleared.
- ₹ 20,000 being the proceeds of a Bill Receivable collected appear in the Bank Pass Book but not in the Cash Book.
- A cheque for ₹ 1,000 received from X & Co. and deposited in Bank was dishonoured. No advice of non-payment was received from bank till the 1st of next April, 2020.
- The bank has paid a Bill Payable amounting to ₹ 4,500 but it has not been entered in the Cash Book.
- A Bill Receivable for ₹ 8,000 which was discounted with the bank was due this month. It was dishonoured by the drawee on due date.
- A cheque for ₹ 5,100 was paid into bank but the bank credited the amount with ₹ 5,010 by mistake.
- A cheque for ₹ 500 was deposited into bank but the same was credited to a wrong account.
- ₹ 2,000 was deposited by a customer direct into bank.
- The bank received interest on debentures on behalf of the trader the amount being ₹ 2,500.
- A cheque for ₹ 1,500 received from a customer deposited into bank but the same was not entered into the Cash Book.
- The bank paid Insurance Premium of ₹ 1,250.
- The bank charged ₹ 90 as their commission for collecting outstation cheques and allowed interest of ₹ 100 on the trader's balance.
- A cheque for ₹ 250 entered into the Cash Book was omitted to be banked.

Prepare a Bank Reconciliation Statement and show the balance as per Bank Pass Book.

Solution:

BANK RECONCILIATION STATEMENT

as on 31st March, 2020

Particulars	Amount Details (₹)	Amount ₹
Balance as per Cash Book (Dr.)		8,500
<i>Add:</i> (a) Cheques issued but not yet presented for payment	6,000	
(c) Bill Receivable collected by Bank but not recorded in Cash Book	20,000	
(i) Amount directly deposited by a Customer	2,000	
(j) Interest on debentures directly received by bank	2,500	
(k) Cheque deposited into bank not recorded in Cash Book	1,500	
(m) Interest on bank balance	100	32,100
		40,600
<i>Less:</i> (b) Cheques deposited in bank but not collected	8,000	
(d) Cheque deposited in bank dishonoured but not recorded in Cash Book	1,000	
(e) Payment of bill payable by bank but not recorded in Cash Book	4,500	
(f) Bill Receivable dishonoured and not entered in Cash Book	8,000	
(g) Cheque deposited credited with lower amount (₹ 5,100 – ₹ 5,010)	90	
(h) Cheque deposited but credited to wrong account	500	
(l) Insurance premium paid by bank	1,250	
(m) Bank charges	90	
(n) Cheque recorded in Cash Book but not deposited in Bank	250	23,680
Balance as per Bank Pass Book (Cr.)		16,920

Illustration 7.

An extract from the Cash Book (Bank Column only) and Bank Pass Book of Mohan Das are given below. Prepare Reconciliation Statement as on 31st March, 2020:

Dr.			CASH BOOK (BANK COLUMN ONLY)			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2020			2020					
March 1	To Balance <i>b/d</i>	6,000	March 5	By Drawings A/c	1,500			
March 4	To A. Roy	1,400	March 8	By Salary A/c	3,200			
March 7	To Alam Ali	300	March 14	By Interest on Loan A/c	600			
March 15	To Deshbandhu	900	March 18	By Ajit Brothers	1,500			
March 22	To Interest on Investments A/c	1,230	March 22	By R. Panja & Sons	2,200			
March 24	To Devi Das	700	March 27	By Bhulabhai & Co.	350			
March 26	To Bal Ram & Co.	1,450	March 29	By Shiv Nath	1,800			
March 29	To M. Jyoti	2,050	March 31	By Commission A/c	800			
March 31	To Bal Ram & Co.	2,800	March 31	By Das Motors	850			
			March 31	By Balance <i>c/d</i>	4,030			
		16,830			16,830			

BANK PASS BOOK
(Mohan Das's Account with Bank)

Date	Particulars	Withdrawals ₹	Deposits ₹	Dr. or Cr.	Balance ₹
2020					
March 1	By Balance b/d		6,000	Cr.	6,000
March 5	To Drawings	1,500		Cr.	4,500
March 6	By A. Roy		1,400	Cr.	5,900
March 8	To Salary	3,200		Cr.	2,700
March 10	By Alam Ali		300	Cr.	3,000
March 14	To Interest on Loan	600		Cr.	2,400
March 18	By Deshbandhu		900	Cr.	3,300
March 20	To Ajit Bros.	1,500		Cr.	1,800
March 20	By Interest on Investments		1,230	Cr.	3,030
March 25	To R. Panja & Sons	2,200		Cr.	830
March 28	By Devi Das		700	Cr.	1,530
March 30	By Dividend on Securities		1,300	Cr.	2,830
March 31	To Commission	800		Cr.	2,030
March 31	To Collection Charges	80		Cr.	1,950
March 31	To Electricity Charges	450		Cr.	1,500

Solution:**Reasons or Causes of Difference**

- (i) Cheques issued but not presented for payment: ₹ 350 + ₹ 1,800 + ₹ 850 = ₹ 3,000.
(ii) Dividend collected by Bank ₹ 1,300.
(iii) Cheques deposited but not yet collected: ₹ 1,450 + ₹ 2,050 + ₹ 2,800 = ₹ 6,300.
(iv) Collection charges ₹ 80 and Electricity charges ₹ 450.

A. If started with Dr. balance as per Cash Book

BANK RECONCILIATION STATEMENT
as on 31st March, 2020

Particulars	Amount Details (₹)	Amount ₹
Balance as per Cash Book (Dr.)		4,030
<i>Add:</i> Cheques issued but not presented for payment	3,000	
Dividend collected by Bank	1,300	4,300
		8,330
<i>Less:</i> Cheques deposited but not yet collected	6,300	
Collection charges	80	
Electricity charges	450	6,830
Balance as per Bank Pass Book (Cr.)		1,500

B. If started with Cr. balance as per Bank Pass Book

BANK RECONCILIATION STATEMENT as on 31st March, 2020

Particulars	Amount Details (₹)	Amount ₹
Balance as per Bank Pass Book (Cr.)		1,500
<i>Add:</i> Cheques deposited but not yet collected	6,300	
Collection charges	80	
Electricity charges	450	6,830
		8,330
<i>Less:</i> Cheques issued but not presented for payment	3,000	
Dividend collected by Bank	1,300	4,300
Balance as per Cash Book (Dr.)		4,030

Illustration 8.

Jagdeep's Cash Book on 31st March, 2020 showed an overdraft balance of ₹ 12,100 on his Account No. 1 at the bank.

On investigation it is found that:

- (i) Cheque drawn amounting to ₹ 4,200 had not been presented to the bank for payment.
- (ii) Cheque for ₹ 3,600 entered in the Cash Book and paid into the bank had not been credited by the bank.
- (iii) The receipts side of the Cash Book had been undercast by ₹ 1,000.
- (iv) Bank charges of ₹ 50 entered in the Bank Statement had not been entered in the Cash Book.
- (v) A cheque for ₹ 5,200 drawn on the Account No. 1 had been charged by the bank erroneously to Account No. 2.
- (vi) Dividend of ₹ 300 paid directly to the bank had not been entered in the Cash Book.
- (vii) A cheque for ₹ 700 received from a debtor paid into the bank, dishonoured and shown as such by the bank but no entry of dishonour had been made in the Cash Book.
- (viii) A cheque for ₹ 420 drawn by another customer of the bank bearing the same name had been charged to Jagdeep's Bank Account by error.

You are required to:

- (a) show the necessary adjustments to be made in the Cash Book; and
- (b) prepare Bank Reconciliation Statement for Account No. 1 as on 31st March, 2020.

Solution:

In the Books of Jagdeep
CASH BOOK (CORRECTED)

Dr.				Cr.			
BANK COLUMN ONLY							
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
2020				2020			
March 31	To Adjustment for undercasting		1,000	March 31	By Balance b/d		12,100
March 31	To Dividend		300	March 31	By Bank Charges		50
March 31	To Balance c/d		11,550	March 31	By Debtor—Dishonoured cheque		700
			12,850				12,850

BANK RECONCILIATION STATEMENT
FOR ACCOUNT NO. 1
as on 31st March, 2020

Particulars	Amount Details (₹)	Amount ₹
Overdraft Balance as per Cash Book (Cr.)		11,550
<i>Add:</i> Cheque paid in but not yet credited	3,600	
Cheque of another party wrongly debited to Account No. 1	420	4,020
		15,570
<i>Less:</i> Cheque issued but not yet presented	4,200	
Cheque drawn on Account No. 1 wrongly debited to Account No. 2	5,200	9,400
Overdraft Balance as per Bank Pass Book (Dr.)		6,170

Illustration 9.

Cash Book of a trader showed an overdraft balance of ₹ 32,750 on 31st March, 2020. On scrutiny of the Cash Book and Bank Pass Book it was discovered that:

- (a) On 22nd March, sundry cheques totalling ₹ 6,500 were sent to bank for collection, out of which a cheque of ₹ 1,500 was wrongly recorded on the credit side of the Cash Book and cheques amounting to ₹ 3,300 could not be collected by the bank till 6th April.
- (b) A cheque for ₹ 4,000 was issued to a supplier on 28th March. This cheque was not presented to Bank till 10th April.
- (c) Bank had debited ₹ 2,000 towards interest on overdraft and ₹ 600 for bank charges, but the bank advice was sent on 15th April.
- (d) Payments side of the Bank Column of the Cash Book was undercast by ₹ 100.
- (e) Cheques for ₹ 2,000 drawn for office expenses were not encashed till 2nd April.
- (f) A cheque for ₹ 1,000 was issued to a creditor on 27th March and was omitted to be entered in the Cash Book. It was, however, presented to bank within 31st March.
- (g) Dividends amounting to ₹ 500 had been paid direct to the bank and not entered in the Cash Book.

You are required to make necessary corrections in the Cash Book and starting with the amended balance, prepare a Bank Reconciliation Statement as at 31st March, 2020.

Solution:

Dr.	AMENDED CASH BOOK (BANK COLUMN)		Cr.
Particulars	₹	Particulars	₹
To Customer (Debtor)	3,000	By Balance <i>b/d</i>	32,750
(Wrong Credit Earlier)*		By Interest on Overdraft	2,000
To Dividends	500	By Bank Charges	600
To Balance <i>c/d</i>	32,950	By Error in Casting	100
		By Sundry Creditors (Omitted)	1,000
	<u>36,450</u>		<u>36,450</u>

*A cheque received for ₹ 1,500 was wrongly recorded on the credit side of the Cash Book. For the rectification of error, Cash Book should be debited by ₹ 3,000.

BANK RECONCILIATION STATEMENT
as on 31st March, 2020

Particulars	Amount Details (₹)	Amount ₹
Overdraft Balance as per Amended Cash Book (Cr.)		32,950
<i>Add:</i> Cheque sent to the bank for collection not yet collected		3,300
		36,250
<i>Less:</i> Cheque issued but not presented for payment	4,000	
Cheques issued for office expenses not yet collected	2,000	6,000
Overdraft Balance as per Bank Pass Book (Dr.)		30,250

Illustration 10.

You are given the Bank Pass Book and Cash Book (Bank Column only) of Authentic Goods for the month of March, 2020. You are required to prepare Amended Cash Book and then Bank Reconciliation Statement from the Amended Cash Book.

BANK PASS BOOK

Date	Particulars	Withdrawals ₹	Deposits ₹	Dr. or Cr.	Balance ₹
2020					
March 1	By Balance <i>b/d</i>			Cr.	1,10,000
March 4	By Mahesh (Clearing)		15,000	Cr.	1,25,000
March 7	To Anuj (Clearing)	5,000		Cr.	1,20,000
March 10	To Cash	10,000		Cr.	1,10,000
March 12	By Alok (Clearing)		7,500	Cr.	1,17,500
March 15	By Transfer		8,000	Cr.	1,25,500
March 22	To Jatinder (Clearing)	10,000		Cr.	1,15,500
March 28	By Ashutosh		5,000	Cr.	1,20,500
March 31	By Interest Collected		10,000	Cr.	1,30,500
March 31	To Bank Charges	500		Cr.	1,30,000

Dr. CASH BOOK (BANK COLUMN ONLY) Cr.

Date	Particulars	₹	Date	Particulars	₹
2020			2020		
March 1	To Balance <i>b/d</i>	1,10,000	March 7	By Anuj	5,000
March 1	To Mahesh	15,000	March 10	By Cash	10,000
March 9	To Alok	7,500	March 18	By Jatinder	10,000
March 27	To Ashutosh	5,000	March 25	By LIC	15,000
March 28	To Ebony Homes	15,000		By M/s. M.R. Stores—Stationery	5,500
	To Arth Hospitality	25,000		By MTNL—Telephone Expenses	19,000
March 31	To EICL	1,00,000	March 28	By Jatinder	20,000
				By Anuj	20,000
				By Jaspal	20,000
			March 31	By Balance <i>c/d</i>	1,53,000
		2,77,500			2,77,500

Solution:

Difference between Cash Book and Bank Pass Book for which entries are to be passed:

- (i) Interest ₹ 10,000 credited by Bank is not recorded in Cash Book.
(ii) Bank charges ₹ 500 charged by Bank is not recorded in Cash Book.

Difference for which entry is not to be passed:

- (iii) Bank Transfer ₹ 8,000, it being wrong credit.
(iv) Cheques deposited but not yet credited: ₹
(a) Ebony Homes 15,000;
(b) Arth Hospitality 25,000; and
(c) EICL 1,00,000.
(v) Cheques issued but not yet presented for payment: ₹
(a) LIC 15,000
(b) M/s M.R. Stores (Stationery) 5,500
(c) MTNL (Telephone Expenses) 19,000
(d) Mr. Jatinder 20,000
(e) Mr. Anuj 20,000
(f) Mr. Jaspal 20,000

Dr.		AMENDED CASH BOOK		Cr.	
Date	Particulars	₹	Date	Particulars	₹
2020			2020		
March 1	To Balance <i>b/d</i>	1,10,000	March 7	By Anuj	5,000
March 1	To Mahesh	15,000	March 10	By Cash	10,000
March 9	To Alok	7,500	March 18	By Jatinder	10,000
March 27	To Ashutosh	5,000	March 25	By LIC	15,000
March 28	To Ebony Homes	15,000	March 25	By M/s M.R. Stores—Stationery	5,500
March 28	To Arth Hospitality	25,000	March 25	By MTNL—Telephone Expenses	19,000
March 28	To EICL	1,00,000	March 28	By Jatinder	20,000
March 31	To Interest	10,000	March 28	By Anuj	20,000
			March 28	By Jaspal	20,000
			March 31	By Bank Charges	500
			March 31	By Balance <i>c/d</i>	1,62,500
		2,87,500			2,87,500

BANK RECONCILIATION STATEMENT
as on 31st March, 2020

Particulars	Amount Details (₹)	Amount ₹
Balance as per Cash Book (Dr.)		1,62,500
<i>Add:</i> Cheques issued but not presented for payment:		
LIC	15,000	
M/s. M.R. Stores (Stationery)	5,500	
MTNL (Telephone Expenses)	19,000	
Jatinder	20,000	
Anuj	20,000	
Jaspal	20,000	99,500
Wrong Credit by Bank		8,000
		<u>2,70,000</u>
<i>Less:</i> Cheques deposited but not yet credited:		
Ebony Homes	15,000	
Arth Hospitality	25,000	
EICL	1,00,000	1,40,000
Balance as per Bank Pass Book (Cr.)		<u><u>1,30,000</u></u>

Advanced Level Questions

Illustration 11.

On Comparing the Cash Book of Mohan with the Bank Pass Book, following discrepancies were noted:

- (a) Out of ₹ 24,600 paid by cheques into the bank on 26th March, cheque amounting to ₹ 9,000 were collected on 8th April.
- (b) Cheques amounting to ₹ 5,760 were deposited into bank on 27th March, but credit was given for ₹ 4,560 only.
- (c) Out of cheques amounting to ₹ 9,360 drawn on 25th March a cheque for ₹ 3,000 was encashed on 3rd April.
- (d) Cheques issued to creditors amounting to ₹ 24,000 on 26th March of which cheques of ₹ 3,600 were presented to bank up to 31st March.
- (e) A cheque of ₹ 1,200 entered in Cash Book but omitted to be banked on 31st March.
- (f) A cheque for ₹ 720 deposited into bank but omitted to be recorded in Cash Book.
- (g) A bill receivable for ₹ 624 previously discounted (Discount ₹ 24) with the bank had been dishonoured but advice was received on 3rd April.
- (h) A bill for ₹ 12,000 was retired from bank under a rebate of ₹ 180 but the full amount was credited in the bank column of Cash Book.
- (i) A cheque of ₹ 1,296 credited in the Bank Pass Book on March 27 being dishonoured is debited in the Bank Pass Book on 1st April. There was no entry in the Cash Book about the dishonour of the cheque until 15th April.
- (j) A cheque of ₹ 240 drawn on his Savings Account has been shown as drawn on Current Account in Cash Book.
- (k) A bill of ₹ 10,000 discounted with the bank at discount of ₹ 200 but inadvertently debited the full amount to Cash Book.

Prepare Bank Reconciliation Statement as at 31st March, if the Debit Balance as per Cash Book on 31st March, 2020 was ₹ 47,484.

Solution:BANK RECONCILIATION STATEMENT
as on 31st March, 2020

Particulars	Plus Items (₹)	Minus Items (₹)
Balance as per Cass Book (Dr.)	47,484	
(a) Cheque deposited on 26th March but not yet collected till 31st March		9,000
(b) Cheque deposited on 27th March but not yet collected till 31st March		1,200
(c) Cheque issued on 25th March but not yet presented for payment till 31st March	3,000	
(d) Cheque issued on 26th March but not yet presented for payment till 31st March	20,400	
(e) A cheque entered in Cash Book but omitted to be banked		1,200
(f) A cheque deposited into bank but omitted to be entered in Cash Book	720	
(g) Discounted Bill Receivable dishonoured, not yet entered in Cash Book		624
(h) Rebate on bill not entered in Cash Book	180	
(j) Cheque drawn on Savings Bank Account but recorded in Current Account	240	
(k) Bill discounted but full amount debited in Cash Book		200
Balance as per Bank Pass Book (Cr.) (₹ 72,024 – ₹ 12,224)		59,800
	72,024	72,024

Note: Cheque of ₹ 1,296 in Point No.(i) credited in Bank Pass Book on 27th March, later debited in Bank Pass Book on 1st April, has no effect on Bank Reconciliation Statement as at 31st March, 2020.

Illustration 12.

Sen reconciled each month Cash Book with the Bank Statement. His Bank Reconciliation Statement for the month of November, 2019 was as follows:

Particulars	₹	₹
Bank Balance (Overdraft) as per Bank Statement on 30th November, 2019		53,000
<i>Add:</i> Cheques issued but yet to be presented to the Bank for Payment:		
Kar	1,080	
Bose	2,200	
Das	520	3,800
		56,800

The following is the extract of Bank column in the Cash Book for December, 2019 and a copy of the Bank Statement for the same month:

Dr.				CASH BOOK (BANK COLUMN ONLY)				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹				
2019				2019							
Dec. 1	To X		32,000	Dec. 1	By Balance <i>b/d</i>		56,800				
Dec. 4	To Y		10,000	Dec. 5	By A		580				
Dec. 5	To Z		22,000	Dec. 8	By B		820				
Dec. 19	To P		3,000	Dec. 16	By C		1,200				
Dec. 23	To Q		7,000	Dec. 23	By D		3,500				
Dec. 29	To R		4,200	Dec. 29	By E		650				
				Dec. 31	By Balance <i>c/d</i>		14,650				
			78,200				78,200				

BANK STATEMENT				
Date	Particulars	Dr. Withdrawals ₹	Cr. Deposits ₹	Balance ₹
2019				
Dec. 1	By Balance			53,000 (Dr.)
Dec. 1	To Kar	1,080		54,080 (Dr.)
Dec. 2	By X		32,000	22,080 (Dr.)
Dec. 4	By Y		10,000	12,080 (Dr.)
Dec. 4	To Bose	2,200		14,280 (Dr.)
Dec. 5	To General Insurance	900		15,180 (Dr.)
Dec. 5	By Z		22,000	6,820 (Cr.)
Dec. 8	To A	580		6,240 (Cr.)
Dec. 19	To C	1,200		5,040 (Cr.)
Dec. 19	To Bank Charges	990		4,050 (Cr.)
Dec. 22	By F		3,000	7,050 (Cr.)
Dec. 23	By Y Ltd. Credit Transfer		4,690	11,740 (Cr.)
Dec. 29	By Q		7,000	18,740 (Cr.)
Dec. 29	To Bank Commission	860		17,880 (Cr.)
Dec. 29	To X-refer to Drawer	32,000		14,120 (Dr.)

Prepare Amended Cash Book and Bank Reconciliation Statement as on 31st December, 2019.

Solution: List of Causes of Difference

- Cheque deposited but not yet credited by Bank ₹ 4,200.
- Amount credited by the Bank yet to be entered in the Cash Book ₹ 4,690 (Y Ltd.).
- Cheques issued but not yet presented:
 $\text{Das ₹ 520} + \text{B ₹ 820} + \text{D ₹ 3,500} + \text{E ₹ 650} = \text{₹ 5,490}.$
- Amount debited by the Bank yet to be entered in the Cash Book: General Insurance ₹ 900 + Bank Charges ₹ 990 + Bank Commission ₹ 860 + Dishonour of Cheque ₹ 32,000 = ₹ 34,750.

Solution:

AMENDED CASH BOOK (BANK COLUMN)					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2019			2019		
Dec. 31	To Balance b/d	14,650	Dec. 31	By General Insurance (Premium)	900
Dec. 31	To Y Ltd.	4,690	Dec. 31	By Bank Charges	990
Dec. 31	To Balance c/d	15,410	Dec. 31	By Bank Commission	860
			Dec. 31	By X	32,000
		34,750			34,750

BANK RECONCILIATION STATEMENT
as on 31st December, 2019

Particulars	₹	₹
Bank Overdraft as per the Amended Cash Book		15,410
<i>Less:</i> Cheque issued but yet to be presented for payments	5,490	5,490
		9,920
<i>Add:</i> Cheque deposited but not yet credited by the bank	4,200	4,200
Bank Balance as per the Bank Statement (Dr.)		14,120

Unsolved Questions

1. From the following particulars, prepare Bank Reconciliation Statement as on 31st March, 2020:
 - (i) Bank balance as per Cash Book ₹ 25,450.
 - (ii) A number of cheques were deposited in the Bank but on 31st March, 2020, a cheque for ₹ 500 was not credited in the Pass Book.
 - (iii) Several cheques aggregating ₹ 5,000 were issued but only cheques for ₹ 4,500 were presented to Bank for payment.
 - (iv) The Bank had directly collected dividend ₹ 400 and interest ₹ 300 but this was not entered in the Cash Book.
 - (v) In accordance with instructions, the Bank had honoured a Bill for ₹ 2,000 but the debit note was sent to the trader only on 2nd April, 2020.
 - (vi) Bank charges ₹ 20 were not entered in the Cash Book.
 - (vii) The debit balance for November was shown short in the Cash Book by ₹ 300.
 - (viii) The Bank Pass Book revealed that a cheque for ₹ 250 received from a person had been dishonoured, but no entry was passed in the Cash Book.

2. Prepare Bank Reconciliation Statement as on 30th September, 2019 from the following particulars:

	₹
(i) Bank balance as per Bank Pass Book.	10,000
(ii) Cheque deposited into the Bank, but no entry was passed in the Cash Book.	500
(iii) Cheque received and entered in the Cash Book but not sent to bank.	1,200
(iv) Credit side of the Cash Book bank column casted short.	200
(v) Insurance premium paid directly by the bank under the standing advice.	600
(vi) Bank charges entered twice in the Cash Book.	20
(vii) Cheque issued but not presented to the bank for payment.	500
(viii) Cheque received entered twice in the Cash Book.	1,000
(ix) Bill discounted dishonoured not recorded in the Cash Book.	5,000

3. From the following particulars of a trader, prepare Bank Reconciliation Statement as on 31st March, 2020:
 - (i) Bank overdraft as per Cash Book ₹ 52,100.
 - (ii) During the month, cheques for a total amount of ₹ 94,400 were deposited into the bank, but of these, one cheque for ₹ 11,160 has been entered into the Bank Pass Book on 5th April.

- (iii) During the month, cheques for ₹ 89,580 were drawn in favour of creditors. Of them, one creditor encashed his cheque for ₹ 38,580 on 7th April, whereas another for ₹ 4,320 has not yet been encashed.
- (iv) As per standing instructions, the bank on 28th March paid out ₹ 10,500 to a creditor, but by mistake the same has not been entered in the Cash Book.
- (v) According to agreement, on 25th March, a debtor deposited directly ₹ 9,000 into the bank, but the same has not been recorded in the Cash Book.
- (vi) In the month of March the bank, without any intimation, debited his account for ₹ 120 as bank charges and credited the same for ₹ 180 as interest.
4. From the following particulars, prepare Bank Reconciliation Statement: ₹
- | | |
|--|--------|
| (i) Bank Overdraft as per Cash Book. | 16,200 |
| (ii) A cheque deposited as per Bank Statement, but not recorded in the Cash Book. | 700 |
| (iii) Debit side of the Bank Column casted short. | 100 |
| (iv) A cheque for ₹ 5,000 deposited but collection as per Bank Statement. | 4,996 |
| (v) A party's cheque returned dishonoured as per Bank Statement only. | 530 |
| (vi) Bills collected directly by Bank. | 3,500 |
| (vii) Bank charges recorded twice in Cash Book. | 25 |
| (viii) A bill for ₹ 8,000 discounted for ₹ 7,960 returned dishonoured by the Bank, Noting charges being charged. | 15 |
| (ix) Cheques deposited but not yet collected by the Bank. | 2,320 |
| (x) Cheques issued but not yet presented for encashment. | 1,250 |
5. From the following information supplied by Deep, prepare his Bank Reconciliation Statement as on 31st March, 2020: ₹
- | | |
|--|----------|
| (i) Bank overdraft as per Bank Pass Book. | 3,30,000 |
| (ii) Cheques issued but not presented for payment. | 1,75,000 |
| (iii) Cheques deposited but not collected. | 2,10,000 |
| (iv) Cheques recorded in the Cash Book but not sent to the bank for collection. | 40,000 |
| (v) Payments received from customers directly by the bank. | 70,000 |
| (vi) Bank charges debited in Bank Pass Book. | 400 |
| (vii) Premium of Life Insurance policy of Deep paid by bank as per standing instructions. | 3,600 |
| (viii) A bill for ₹ 60,000 dishonoured on 30th March, 2020 and bank paid Noting Charges. This bill was discounted on 30th January, 2020. | 200 |
6. What is Bank Reconciliation Statement? Prepare such a statement on 31st March, 2020 from the following particulars:
- Ajay's overdraft as per Bank Pass Book ₹ 12,000 as on 31st March.
 - On 30th March, cheques had been issued for ₹ 70,000 of which cheques of ₹ 3,000 only had been encashed up to 31st March.
 - Cheques amounting to ₹ 3,500 had been paid into the bank for collection but of these cheques of only ₹ 500 had been credited in the Bank Pass Book.
 - The bank has charged ₹ 500 as interest on overdraft and the intimation of which has been received on 2nd April, 2020.
 - The Bank Pass Book shows credit for ₹ 1,000 representing ₹ 400 paid by debtor of Ajay directly into the bank and ₹ 600 collected directly by bank in respect of interest on Ajay's investment. Ajay had no knowledge of these items.
 - A cheque for ₹ 200 has been debited in bank column of Cash Book by Ajay, but it was not sent to bank at all.

7. From the following extract from the Bank Pass Book for January, 2020 and also the Cash Book for the month, you are required to prepare Amended Cash Book and Bank Reconciliation Statement:

BANK PASS BOOK

Date	Particulars	Withdrawals ₹	Deposits ₹	Dr. or Cr.	Balance ₹
2020					
Jan. 1	By Balance <i>b/d</i>			Cr.	10,000
Jan. 4	By Anil		70,000	Cr.	80,000
Jan. 4	By Sunil		50,000	Cr.	1,30,000
Jan. 7	To Cash	1,00,000		Cr.	30,000
Jan. 10	By Cash		2,20,000	Cr.	2,50,000
Jan. 15	By ATP & Co.		15,000	Cr.	2,65,000
Jan. 20	To MTNL	3,000		Cr.	2,62,000
Jan. 21	To BSES	5,000		Cr.	2,57,000
Jan. 23	To LIC (Standing Instruction)	50,000		Cr.	2,07,000
Jan. 27	By Interest Collected		2,500	Cr.	2,09,500
Jan. 27	By Cash		15,000	Cr.	2,24,500
Jan. 27	By Jagjeet		5,000	Cr.	2,29,500
Jan. 29	To Bank Charges	1,000		Cr.	2,28,500
Jan. 31	To Jagjeet (Cheque Returned)	5,000		Cr.	2,23,500
Jan. 31	To Bank Charges	200		Cr.	2,23,300

Dr. CASH BOOK (BANK COLUMNS ONLY) Cr.

Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
2020				2020			
Jan. 1	To Balance <i>b/d</i>		10,000	Jan. 7	By Cash		1,00,000
Jan. 4	To Anil		70,000	Jan. 15	By MTNL		3,000
Jan. 4	To Sunil		50,000	Jan. 15	By BSES		5,000
Jan. 10	To Cash (Sale Proceeds)		2,20,000	Jan. 27	By Staples Ltd.		6,000
Jan. 27	To Cash		15,000	Jan. 29	By BR & Co. (Stationery)		7,500
Jan. 27	To Jagjeet		5,000	Jan. 31	By Balance <i>c/d</i>		2,68,500
Jan. 28	To Harpreet		20,000				
			3,90,000				3,90,000

GUIDE TO ANSWERS

- Balance as per Bank Pass Book—₹ 24,180.
- Balance as per Cash Book (Dr.)—₹ 16,980.
- Balance as per Bank Pass Book (Overdraft)—₹ 21,800.
- Balance as per Bank Pass Book (Dr.)—₹ 21,494.
- Overdraft Balance as per Cash Book—₹ 2,60,800.
- Overdraft Balance as per Cash Book—₹ 76,300.
- Balance as per Amended Cash Book (Dr.)—₹ 2,29,800.