

Bank Reconciliation Statement

Meaning and Need of Bank Reconciliation Statement

Objectives

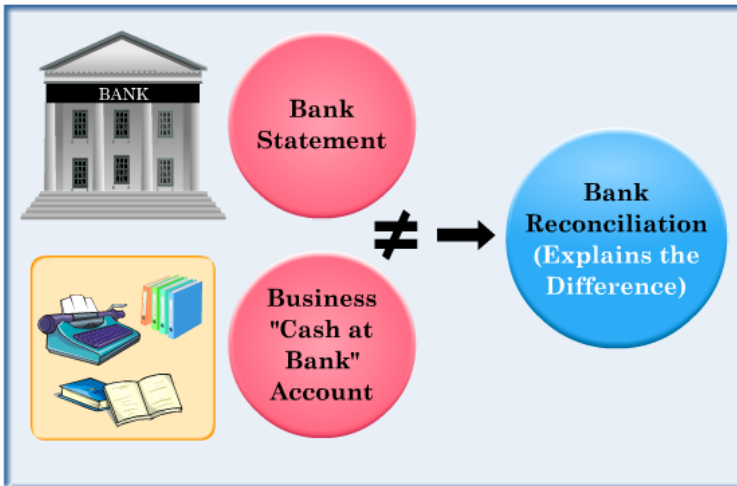
After going through this lesson, you shall be able to understand the following concepts.

- Meaning of Cash Book and Pass Book/Bank Statement
 - How banking transactions are recorded
 - Reasons for mismatches between the two books (Cash Book and Pass Book)
- Meaning and Needs of Bank Reconciliation Statement

Introduction

Till now, we have observed that the Bank Column of a Cash Book is used to record all the **banking transactions** of a business. In today's world, it is a very common to deposit cash and cheques received and to make payments through bank. These transactions are recorded in the customers account by the bank. This detailed list of transactions in form of a statement is given to customer for their reference and is known as **Bank Pass Book** or **Bank Statement**.

As the same transactions are recorded in both the books- Cash Book and Pass Book, so their closing balance are usually same but there may be chances that two balances are in contrast. This variance may be due to various reasons (discussed in the subsequent lessons). Thus, in order to match the balances of both the books, we prepare a statement termed as **Bank Reconciliation Statement**.



Meaning of Cash Book

As we already know that a Cash Book is a summary of all cash and bank transactions entered by a business during an financial year. Cash Book consists of two columns- Cash and Bank. The Bank Column of the Cash Book records all the **banking transactions** of the business.

Cash Book									
Dr.					Cr.				
2013	Particulars (Receipts)	L.F.	Cash	Bank	2013	Particulars (Payments)	L.F.	Cash	Bank
1-Jan	Balance b/d		1000	1000	1-Jan	Cash	C		200
6-Jan	Bank	C	200		7-Jan	Jay		500	
			1200		9-Jan	Robert			300
			1200	1000	31-Jan	Balance c/d		700	500
1-Feb	Balance b/d		700	500				1200	1000

Meaning of Pass Book / Bank Statement

Pass Book is a copy of the Ledger Account maintained by the Bank to record the transactions of its clients. Each customer

is issued a separate Pass Book by his/her bank. The credit side of the Pass Book shows receipts of the clients, on the other hand, its debit side shows withdrawals or payments made by the clients.

Bank Account is a Personal Account which follows the rule of "*Debit the receiver; Credit the giver*". Thus, when money is deposited into bank, Bank Account is debited as bank is the *receiver* and the bank credits the customer's account as the customer is the *giver*. That is why; the credit side of the Pass Book represents the receipts of customers'.



DATE	PARTICULARS	CHEQUE NO.	DEBIT	CREDIT	BALANCE
(Control: 5725221 4248 31265731176 16/05/13)				Brought Forward	635000.00
2/04/13	SAL FOR JNIL MAR 2013			15000.00	650000.00 Cr
3/05/13	MB11 0200781824910 SM TRF To 599765788501		2000.00		648000.00 Cr
4/05/13	MB11 0200781824910 SM TRF To 599765788501		8000.00		640000.00 Cr
5/04/13	SAL FOR JNIL APR 2013			15000.00	655000.00 Cr
21/05/13	ATM 640 SBI RUSSI		5000.00		650000.00 Cr
23/06/13	ATM 660 SBI RUSSI		10000.00		640000.00 Cr
25/06/13	MB11 0205671859800 SM TRF To 599765788501		8000.00		632000.00 Cr
27/06/13	ATM 770 SBI RUSSI		2000.00		630000.00 Cr
30/06/13	ATM 795 SBI RUSSI		5000.00		625000.00 Cr
Carried Forward					625000.00 Cr

How Banking Transactions are recorded

Banking transactions are recorded by the following two ways.

(1) Deposits transactions: The deposit of a cheque is recorded on the debit side Bank column of the Cash Book by the client, on the other hand, the bank increases its client's account by recording the deposit on the credit side of the client's account. Thus, all such receipts which are shown on the debit side of the Cash Book are credited to the client's account in the Pass Book.

(2) Withdrawals/Payments transactions: The withdrawal or payments through cheques are recorded by the client on the credit side Bank column of his/her Cash Book. On the other hand, bank reduces the client's account by recording the withdrawals on the debit side of the client's account. Therefore, payments are recorded on the debit side of the Pass Book.

Therefore, it can be concluded from above discussion that all entries of Cash Book and Pass Book are more or less same but *debit entries of Cash Book are shown on the credit side of Pass Book and vice versa*.

At what time Transactions are recorded in the books (Cash Book and Pass Book)

Timing of recording transactions in the Cash Book and in the Pass Book need not to be necessarily the same. This is because in Cash Book, we record transactions at the time of their occurrence, whereas, in the Pass Book, transactions are recorded when cheque is cleared by the bank. For example, cheque issued to a supplier is recorded on the credit side of

the Cash Book on the date when it is issued. However, in the Pass Book, this cheque is recorded on the debit side of customer's account on the date when cheque is presented as well as cleared by bank.

Dr.

Cash Book (for the month of April)

Cr.

Date	Particulars (Receipts)	L.F.	Cash	Bank	Date	Particulars (Payments)	L.F.	Cash	Bank
2013					2013				
1Apr	Balance b/d		1,000	1,000	5Apr	Cash A/c	C		200
6 Apr	Bank A/c	C	200		7Apr	X			200
					30Apr	Balance c/d		1,200	600
			1,200	1,000				1,200	1,000

• Cash Book recorded by us

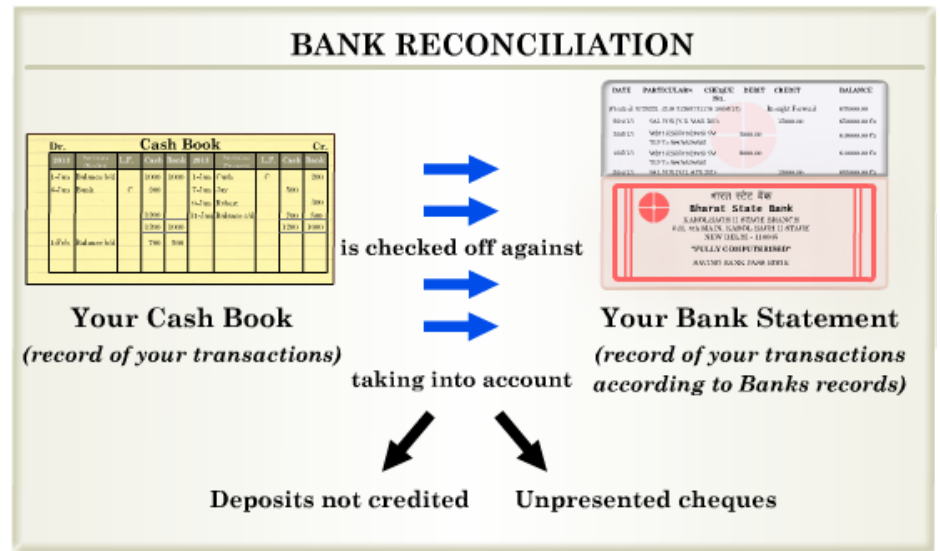
Bank Statement(for the month of April)

Date	Particulars	Cheque No.	Debit	Credit	Balance
2013					
1 Apr	Balance b/d				1,000
6Apr	Cash		200		800
30 th Apr	Balance c/d				800

•Bank Statements according to Bank records

Difference arises due to timing of recording the transactions.

Meaning of the Bank Reconciliation Statement (BRS)
 BRStatement is prepared to match the differences in the two balances- Bank balance as per Cash Book and Bank balance as per Pass Book/Bank Statement on a particular date. It is a statement that lists out the reasons of such differences between the two books and also facilitate to reconcile these differences.



- Need of Bank Reconciliation Statement**
 BRS is required as a result of the following factors.
- (1) It helps in figuring out those mistakes which lead to a mismatch in the balance of the Cash Book or Pass Book.
 - (2) The reasons which caused the above mentioned mistakes are also revealed while preparation of Bank Reconciliation Statement.
 - (3) It reflects accuracy of transactions entered in the cash book and also maintains list of uncleared cheques.
 - (4) It shows true bank balance and also reduces chances of small frauds committed by employees.

Cash Book (for the month of April)									
Dr.					Cr.				
Date	Particulars (Receipts)	L.F.	Cash	Bank	Date	Particulars (Payments)	L.F.	Cash	Bank
1 Apr 2013	Balance b/d		xxx	xxx	30 Apr 2013	Balance c/d		xxx	xxx

Bank Statement (for the month of April)					
Date	Particulars	Cheque No.	Debit	Credit	Balance
30 Apr 2013	Balance				xxx

Mismatches

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Difference is explained by BRS

Causes of Difference

Objectives

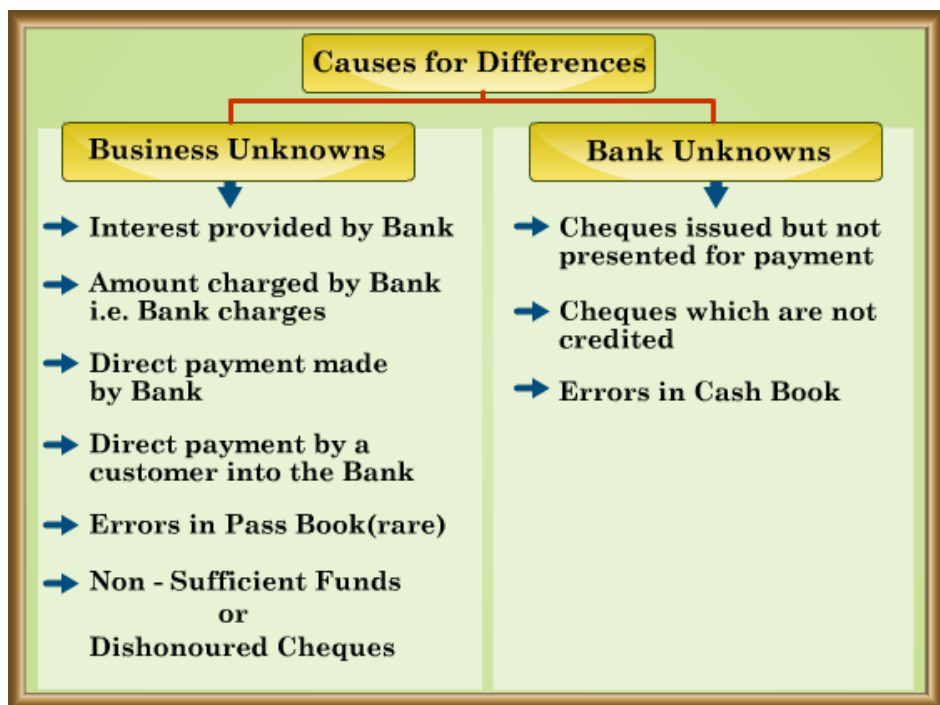
After going through this lesson, you shall be able to understand the reasons that cause differences between Bank Balance of Cash Book and Pass Book Balance.

Introduction

In the previous lesson, we gained an understanding about the basic concepts involved in the Bank Reconciliation Statement (BRS). Now we'll try and comprehend the reasons causing difference between the Bank Balance of Cash Book and Pass Book Balance.

Reasons of Differences between Bank Balance of Cash Book and Pass Book Balance

1. **Recording transactions at different point of time:** Whenever, a cheque is received from a debtor or any other person, then it is recorded immediately on the debit side of the Cash Book (*that is*, Cash Book Balance stands increased). On the Other hand, bank will increase the customer's account only at the time when it receives money from the other party. Similar to this, when a cheque is issued to a supplier, then it is recorded immediately, but the bank will record this at the time of making payment for that cheque. Thus, due as the recording in the two books is done at the two different time periods so there arises a difference between the balances of the two books.
2. **Certain transactions recorded by bank:** There are certain transactions such as Bank Interest or Bank Charges or direct deposits by a party in the customer's bank account which are recorded by bank on its own in the customer's account (without customer's knowledge). The customer gets to know about them when he/she updates his Pass Book with the bank or he/she receives the account statement from bank. Thus, this reason also account for the difference between Cash Book balance and the Bank Pass Book balance.
3. **Clerical mistakes:** Although, bank takes a due care in recording transactions in its customer's account, yet, there exists probability, where clerical mistakes happen. Similarly, a customer may also commit such mistakes at the time of preparing his/her Cash Book. Instances such as, recording wrong amount and carry forwarding wrong balance are a few examples of clerical mistakes.



Let's understand above differences in details with an example.

A. Recording Transactions at different point of time

1) *Cheque issued but not yet presented for payment*: Whenever, a cheque is issued to a supplier (or to any other person) for making any payment, then it is recorded immediately on the credit side of the Cash Book. However, bank records this by debiting customer's account after the cheque is presented for payment and gets cleared. Hence, the difference in the time of recording of transaction causes the bank balances of the two books mismatched.

Example: Amar Singh's Cash Book balance and Pass Book balance as on March 01, 2014 are same say, Rs 20,000. Now, on March 27, 2014 Amar Singh issued a cheque of Rs 5,000 to Jolly Singh. But due to busy schedule, Jolly Singh presented this cheque for clearance to his bank on April 01, 2014. Now, can you imagine what would be Amar Singh's Cash Book and Pass Book positions on March 31, 2014? It would be as shown below.

Dr.	Cash Book (Bank Column)			Cr.	
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2014			2014		
March 01	Balance b/d	20,000	March 27	Jolly Singh	5,000
			March 31	Balance c/d	15,000
		20,000			20,000

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Dr.	Pass Book (Amar Singh Account)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2014			2014		
March 31	Balance c/d	20,000	March 01	Balance b/d	20,000
		20,000			20,000

On March 31, 2014 there is a difference in the balances of the two books by Rs 5,000 (i.e. 20,000 – 15,000). Here, the Pass Book balance (20,000) is greater than that of Cash Book (15,000) by Rs 5,000. This is because of the cheque so issued of Rs 5,000 to Jolly Singh. This cheque was immediately recorded in the Cash Book causing the Cash Book Balance to stand reduced at Rs 15,000. On the other hand, bank has not recorded this cheque till March 31, 2014 as this cheque was not presented for payment till then. Therefore, Pass Book balance stood at Rs 20,000.

2) *Cheque deposited into Bank but not Cleared or Credited or Cashed by Bank:* Whenever a cheque is received from any debtor (or party), then it is recorded immediately on the debit side of the Cash Book. However, bank records this by increasing customer's account at the time when it collects money for that cheque. So, there exists a difference between Cash Book and Pass Book balance.

Example: Sanjay Deshmukh's Cash Book balance and Pass Book balance on September 01, 2013 are same say, Rs 15,000. Now, Sanjay received a cheque of Rs 6,000 from Dev Saluja and deposited it into the Bank on September 28, 2013. However, cheque got cleared on October 05, 2013. Now imagine what would be Sanjay Deshmukh's Cash Book and Pass Book positions on September 30, 2013. This is shown below.

Dr.	Cash Book (Bank Column)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Sept 01	Balance b/d	15,000			
Sept 28	Dev Saluja	6,000	Sept 30	Balance c/d	21,000
		21,000			21,000

Dr.	Pass Book (Sanjay Deshmukh Account)				Cr.
Date	Particulars	Amount	Date	Particulars	Amount

		(Rs)			(Rs)
2013			2013		
Sept 30	Balance c/d	15,000	Sept 01	Balance b/d	15,000
		15,000			15,000

Thus, on September 30, 2013, there is a difference in the balances of the two books by Rs 6,000 (i.e. 21,000 – 15,000). Here, the Cash Book balance (21,000) is greater than that of the Pass Book (15,000) by Rs 6,000 because of the cheque of Rs 6,000. This cheque was immediately recorded in the Cash Book causing the Cash Book balance to stand increased at Rs 21,000. On the other hand, bank has not cleared this cheque till September 30, 2013 as they have not realised the amount of this cheque till then. Therefore, the Pass Book balance stood at Rs 15,000 on Sept 30, 2013.

B. Certain Transactions recorded by Bank

1) *Charges/Interest debited by Bank*: Bank provides various facilities to its customers such as overdraft facility, cheque book, debit card, credit card, ATM facilities, locker facilities, etc. For this, it generally charges few charges termed as interest, commission, bank charges. These charges are directly debited from the customer's account causing a reduction in his/her bank balance. As far as the Cash Book is concerned, such charges are recorded in the Cash Book at the time when the customer gets a copy of his/her bank statement. Till that time, the exists difference in the balances of the two Books continues to exist.

Example: Atul Midha Cash Book balance and Pass Book balance on January 01, 2013 is Rs 10,000. Now, on January 28, 2013, bank charges of Rs 1,000 were charged by the bank. Now, imagine what would be Atul Midha's Cash Book and Pass Book positions on January 30, 2013. It would be like this:

Dr.	Cash Book (Bank Column)			Cr.	
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Jan 01	Balance b/d	10,000	Jan 31	Balance c/d	10,000
		10,000			10,000

Dr.	Pass Book (Atul Midha's Account)			Cr.	
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)

2013			2013		
Jan 28	Bank Charges A/c	1,000	Jan 01	Balance b/d	10,000
Jan 31	Balance c/d	9,000			
		10,000			10,000

On January 31, 2013, there is a difference in two books balances by Rs 1,000 (i.e. 10,000 – 9,000). Here, the Pass Book balance (9,000) is lesser than Cash Book balance (10,000) by Rs 1,000 because of the bank charges of Rs 1,000. These bank charges were duly recorded in the Pass Book but not in the Cash Book.

2) Interest/Dividend collected by Bank on behalf of its Customer: At times, bank collects interest or dividends on behalf of their customers or as per their Standing Instructions and credits the customer's account. Due to occurrence of such transactions, customer's account balance gets immediately increased. However, the customer records such transactions in his/her Cash Book only when it comes to his/her knowledge (i.e. either the bank informs the customer about this or sends an updated copy of bank statement). Till that time, the Pass Book balance stands increased as compared to Cash Book balance.

Example: Rajesh Talwar's Cash Book balance and Pass Book balance as on May 01, 2013 stand to be Rs 12,000. On May 29, bank credited dividend of Rs 1,200 directly in Rajesh Talwar's Account as per his standing instructions. Now imagine the positions of his Cash Book and Pass Book on May 31, 2013.

Dr.	Cash Book (Bank Column)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
May 01	Balance b/d	12,000	May 31	Balance c/d	12,000
		12,000			12,000

Dr.	Pass Book (Rajesh Talwar Account)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		

			May 01	Balance b/d	12,000
May 31	Balance c/d	13,200	May 29	Dividend	1,200
		13,200			13,200

On May 31, 2013, there is a difference in the balances of the two books by Rs 1,200 (i.e. 13,200 – 12,000). Here, the Pass Book balance (13,200) is higher than that of Cash Book (12,000) by Rs 1,200 because of directly crediting of the dividend of Rs 1,200 by Bank in Rajesh Talwar's Account. This dividend was recorded in the Pass Book but not in the Cash Book. Hence, the difference remained.

3) Direct Payments on behalf of Customer by Bank: There are certain payments such as insurance premium, loan instalment, etc. made by bank on the behalf of its customer as per their instructions. So, whenever bank makes such payments it debits customer's account immediately, whereas, the customer records the same in his/her Cash Book only when it comes to his/her knowledge. This accounts for the differences between the two balances.

Example: Mohit Pahwa's Cash Book balance and Pass Book balance on June 01, 2013 are same, say, Rs 6,000. On June 29, 2013, his bank paid Insurance Premium of Rs 1,200 as per standing instructions. Thus, on June 30, 2013, the positions of his Bank Pass book and his Cash Book would be same as presented below.

Dr.	Cash Book (Bank Column)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
June 01	Balance b/d	6,000	June 30	Balance c/d	6,000
		6,000			6,000

Dr.	Pass Book (Mohit Pahwa Account)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
June 29	Insurance Premium	1,200	June 01	Balance b/d	6,000
June 30	Balance c/d	4,800			

		6,000			6,000

On June 30, 2013, there is a difference in the balances of the two books by Rs 1,200 (i.e. 6,000 – 4,800). Here, the Pass Book balance (4,800) is lower than Cash Book balance (6,000) by Rs 1,200 because of the premium amount (of Rs 1,200) so paid by the bank directly as per the customer's instructions. Thus, it is recorded on the debit side of the Pass Book in the Mohit Pahwa's Account. Hence, as the premium amount is recorded in the Pass Book but not in the Cash Book on June 30, 2013, so there exists a difference between the two books.

4) Amount directly deposited into the Bank by Debtors: Whenever, debtors deposit their due amount directly into the client's (customer's) account, the the balance of the customer's account gets immediately increased. However, the customer records this in his/her Cash Book only at the time when this comes to his/her knowledge. Thus, till that time, the difference in the two books continues to exist.

Example: Ajay Gupta's Cash Book balance and Pass Book balance as on July 01, 2013 stand to be Rs 20,000. On July 27, 2013, one of its debtors directly deposits his dues of Rs 5,000 in the Ajay's bank account. Thus, due to this transaction, as on July 31, 2013, there arises a difference between Ajay Gupta's Cash Book and his Pass Book. This is shown below.

Dr.	Cash Book (Bank Column)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
July 01	Balance b/d	20,000	July 31	Balance c/d	20,000
		20,000			20,000

Dr.	Pass Book (Ajay Gupta Account)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
			July 01	Balance b/d	20,000
July 31	Balance c/d	25,000	July 27	Debtor	5,000
		25,000			25,000

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On July 31, 2013, there is a difference in two books balances by Rs 5,000 (25,000 – 20,000). Here, the Pass Book balance (25,000) is higher than that of the Cash Book (20,000) by Rs 5,000 due to the direct deposit made by one of the debtors.

5) *Dishonour of Bill discounted with Bank*: In case, a Bill of Exchange discounted with the Bank gets dishonoured, then bank will debit its customer's account with the bill amount along with charges (if any). This reduces the bank balance by the amount of the bill. However, the customer will record the same only when it comes to his/her knowledge.

Example: Rajiv Sachdeva's Cash Book Balance and Pass Book Balance on August 01, 2013 is Rs 25,000. On August 28, 2013 one of the Bill discounted with the Bank of Rs 2,000 gets dishonoured. Bank Charged Rs 500 for this. Rajiv Sachdeva's Cash Book and Pass Book positions on August 31, 2013 would be like this:

Dr.	Cash Book (Bank Column)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Aug 01	Balance b/d	25,000	Aug 31	Balance c/d	25,000
		25,000			25,000

Dr.	Pass Book (Rajiv Sachdeva's Account)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Aug 29	Bills Receivable	2,000	Aug 01	Balance b/d	25,000
	Bank Charges	500			
Aug 31	Balance c/d	22,500			
		25,000			25,000

On Aug 31, 2013 there is a difference in two books balances by Rs 2,500 (25,000 – 22,500). Here Pass Book Balance (22,500) is lower than Cash Book balances (25,000) by Rs 2,500 this is because of dishonour of discounted bill of Rs 2,000

and charges for the dishonour Rs 500. These are debited in the Pass Book by the Bank but not recorded in the Cash Book.

6) Dishonour of Cheque deposited with Bank: In case any Cheque deposited into Bank gets dishonoured then Bank will debit its Customer Account with amount of Cheque along with some dishonor charges(if any). This will result in reducing Bank Balance by amount of Cheque and Charges (if any). However Customer record this in the Cash Book only at the time when this come to his knowledge.

Example: Anil Relhan Cash Book Balance and Pass Book Balance on February 01, 2013 is Rs 8,000. On February 24, 2013 a cheque of Rs 4,000 was deposited in the Bank but on February 26 this Cheque was dishonoured. Now can you imagine what would be Anil Relhan's Cash Book and Pass Book positions on February 28, 2013. It would be like this:

Dr.	Cash Book (Bank Column)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Feb 01	Balance b/d	8,000			
Feb 24	Debtor	4,000	Feb 28	Balance c/d	12,000
		12,000			12,000

Dr.	Pass Book (Anil Relhan Account)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Feb 24	Debtor (Cheque Dishonoured)	4,000	Feb 01	Balance b/d	8,000
Feb 28	Balance c/d	8,000	Feb 24	Debtor	4,000
		12,000			12,000

On Feb 28, 2013 there is a difference in two books balances by Rs 4,000 (12,000 – 8,000). Here Pass Book Balance (8,000) is lower than Cash Book balances (8,000) by Rs 4,000 this is because of dishonour of Cheque of Rs 4,000. This is debited in the Pass Book by the Bank but not recorded in the Cash Book.

C. Clerical Mistakes: Clerical mistakes in recording any amount or posting or carry forwarding any balance either by

Customer in the Cash Book or by Bank in the Pass Book causes difference in the two books balances.

Example: Ankush Goyal Cash Book Balance and Pass Book Balance on November 01, 2013 is Rs 18,000. On November 27, 2013, Ankush issue cheque of Rs 5,400 to its Supplier but it was credited wrongly by Rs 4,500 in the Cash Book. However, Supplier has presented this cheque on same day and correctly recorded in the Pass Book by bank. The positions of Ankush Goyal's Cash Book and Pass Book as on November 30, 2013 would be like this.

Dr.	Cash Book (Bank Column)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Nov 01	Balance b/d	18,000	Nov 27	Supplier	4,500
			Nov 30	Balance c/d	13,500
		18,000			18,000

Dr.	Pass Book (Ankush Goyal's Account)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Nov 27	Supplier A/c	5,400	Nov 01	Balance b/d	18,000
Nov 30	Balance c/d	12,600			
		18,000			18,000

On Nov 30, 2013 there is a difference in two books balances by Rs 900 (13,500 – 12,600). Here Pass Book Balance (12,600) is lower than Cash Book balance (13,500) by Rs 900 this is because of Cheque issued to Supplier of Rs 5,400 was credited with Rs 4,500 in the Cash Book. Therefore, Cash Book shows lesser payment made to Supplier by Rs 900 (5,400 – 4,500). However Pass Book has been correctly debited with Rs 5,400. Hence, Clerical errors can also cause differences in the balances between two Books.

Omissions in Cash Book: As the name depicts, there might be a case when the cashier forgets to enter a transaction in the Cash Book which creates differences in the Balances of Cash Book and Pass Book.

Example: Abhishek Chaudhuri's Cash Book Balance and Pass Book Balance on February 01, 2013 is Rs 20,000. On February 27, 2013, Abhishek unintentionally forgot to record issue of cheque of Rs 6,400 to its Supplier in the Cash Book. However, Supplier has presented this cheque on same day and was correctly recorded in the Pass Book by bank. The positions of Abhishek Chaudhuri's Cash Book and Pass Book positions on February 28, 2013 would be like this:

Dr.	Cash Book (Bank Column)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Feb 01	Balance b/d	20,000			
			Feb 30	Balance c/d	20,000
		20,000			20,000

Dr.	Pass Book (Abhishek Chaudhuri's Account)				Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
Nov 27	Supplier A/c	6,400	Nov 01	Balance b/d	20,000
Nov 30	Balance c/d	13,600			
		20,000			20,000

On Feb 30, 2013, there is a difference in two books balances by Rs 6,400 (20,000 – 13,600). Here Pass Book Balance (13,600) is lower than Cash Book balance (20,000) by Rs 6,400 this is because of Cheque issued to Supplier of Rs 6,400 which was omitted to be recorded in the Cash Book. Therefore, Cash Book shows no payment made to Supplier by Rs 6,400. However Pass Book has been correctly debited with Rs 6,400. Hence, omissions in cash book can also cause differences in the balances between two Books.

Steps for the Preparation of BRS

Objectives

After going through this lesson, you shall be able to understand the following concepts.

- Format of Bank Reconciliation Statement
- Steps to Prepare Bank Reconciliation Statement

Introduction

We have gained a basic understanding about Pass Book and Cash Book, the reasons or causes because of which differences arise between the Balance of Bank and Cash Book, now we shall try to move forward and learn the presentation of a Bank reconciliation statement along with the steps that have to be followed in order to prepare a bank reconciliation statement.

Format of Bank Reconciliation Statement:

Particulars	Amount (Rs)
Balance as per Cash Book/ Balance as per Pass Book (Given Book)	xxx
<i>Add:</i> Transaction which have resulted in the increase in the balance of Other Book	xxx
	xxx
<i>Less:</i> Transactions which have caused decrease in the balance of Other Book	xxx
Balance as per Pass Book/ Balance as per Cash Book (Other Book)	xxx

(II) Bank Reconciliation Statement can also be presented as:

Bank Reconciliation Statement as on.....		
Particulars	Plus Items (Rs)	Minus Items (Rs)
Bank Balance as per Cash Book(Debit Balance) (Given Book)	xxx	
Overdraft as per Cash Book(credit balance) (Given Book)		xxx
<i>Add:</i> Transaction which have resulted in the increase in the balance of Other Book	xxx	
<i>Less:</i> Transactions which have caused the decrease in the balance of Other Book		xxx

Balance as per Pass Book(Credit balance)(Other Book)	xxx	
Overdraft Balance as per Pass Book(Debit balance) (Other Book)		xxx

Bank Reconciliation Statement as on.....		
Particulars	Plus Items (Rs)	Minus Items (Rs)
Bank Balance as per Pass Book(Credit Balance) (Given Book)	xxx	
Overdraft as per Pass Book(Debit Balance) (Given Book)		xxx
Add: Transactions which have resulted in the increase of balance in Other Book(see note)	xxx	
Less: Transactions which have caused the decrease in the balance in Other Book(see note)		xxx
Balance as per Cash Book(Debit Balance)(Other Book)	xxx	
Overdraft Balance as per Cash Book(Credit Balance) (Other Book)		xxx

Note: Transactions which are *added* when the starting balance is as per Cash Book will be subtracted when the starting balance is taken as per Pass Book and vice versa. Thus, it can be concluded that the treatment of transactions is totally opposite in case of Cash Book and Pass Book.

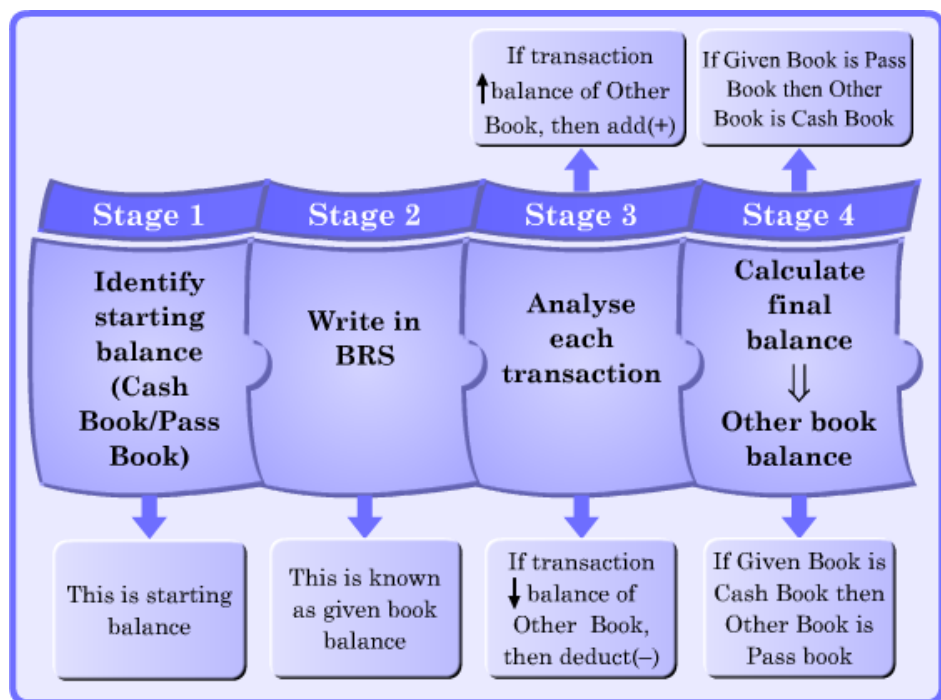
'Given Book' here means Cash Book or Pass Book whose balance is considered as the Starting Balance for preparing Bank Reconciliation Statement.

While the 'Other Book' represents whose balance is determined by taking into account various transactions.

Steps to Prepare Bank Reconciliation Statement:

1. Firstly, we try and identify which balance (Cash Book or Bank Pass Book) is given in the question. This balance would be taken as the starting point of the Statement.
2. This Starting Balance is written in the Bank Reconciliation Statement.

3. Check each transaction and identify whether they should be added or deducted to/ from the Starting Balance. If any transaction increases the other Book Balance then it should be shown as addition to Starting Balance under Plus Items. On the other hand, if any transaction decreases the other Book Balance then it should be shown as deduction to Starting Balance under the minus items.
4. After taking into account all the transactions we shall calculate the final balance. This final balance represents Balance of Other Book.



Format of Bank Reconciliation Statement under Different Situations

Situation 1: When Debit balance of Cash Book is given.

Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (Dr.)		xxx
<i>Add:</i> Transactions which have resulted in the increase in the balance of <i>Other Book</i> (i.e. Pass Book)	xxx	
(1) Cheques Issued but not yet presented for the payments	xxx	
(2) Interest Credited by Bank but not recorded in Cash Book	xxx	
(3) Direct deposit by debtors in Bank Account	xxx	
(4) Interest / Dividend Collected by Bank on our behalf not recorded in Cash Book	xxx	
(5) Cheque deposited and credited by bank but omitted to be recorded in the Cash Book	xxx	
(6) Wrong credit in the Pass Book	xxx	

(7) Wrong credit in the Cash Book	xxx	xxx
		xxx
Less: Transactions which have caused decrease in the balances of Other Book (i.e. Pass Book)		
(1) Cheque deposited but not yet credited by Bank	xxx	
(2) Bank Interest / Charges debited by bank but not recorded in the Cash Book	xxx	
(3) Payments made by Bank on our behalf but not recorded in the Cash Book	xxx	
(4) Dishonour of Bill discounted with Bank or Dishonour of Cheque	xxx	
(5) Wrong debit in the Pass Book	xxx	
(6) Wrong debit in the Cash Book	xxx	xxx
Closing Balance of Pass book		xxx

Situation 2: When Credit balance of Cash Book is given.

Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (Cr.)		xxx
Add: Transactions increasing Balance of Other Book (i.e. Pass Book)		
(1) Cheque deposited but not yet credited by Bank	xxx	
(2) Bank Interest / Charges debited by bank but not recorded in the Cash Book	xxx	
(3) Payments made by Bank on our behalf but not recorded in the Cash book	xxx	
(4) Dishonour of Bill discounted with Bank or Dishonour of Cheque	xxx	
(5) Wrong debit in the Pass Book	xxx	
(6) Wrong debit in the Cash Book	xxx	xxx

		xxx
Less: Transactions reducing Balance of Other Book (i.e. Pass Book)		
(1) Cheques Issued but not yet presented for the payments	xxx	
(2) Interest Credited by Bank but not recorded in Cash Book	xxx	
(3) Direct deposit by Debtors in Bank Account	xxx	
(4) Interest / Dividend Collected by Bank on our behalf not recorded in Cash Book	xxx	
(5) Cheque deposited and credited by bank but omitted to be recorded in the Cash Book	xxx	
(6) Wrong credit in Pass Book	xxx	
(7) Wrong credit in the Cash Book	xxx	xxx
Closing Balance of Pass book		xxx

Situation 3: When Credit balance of Pass Book is given.

Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Pass Book (Cr.)		xxx
Add: Transaction which have resulted in the higher balance of Other Book (i.e. Cash Book)		
(1) Cheque deposited but not yet credited by Bank	xxx	
(2) Bank Interest / Charges debited by bank but not recorded in the Cash Book	xxx	
(3) Payments made by Bank on our behalf but not recorded in the Cash book	xxx	
(4) Dishonour of Bill discounted with Bank or Dishonour of Cheque	xxx	
(5) Wrong debit in the Pass Book	xxx	
(6) Wrong debit in the Cash Book	xxx	xxx

		xxx
Less: Transactions which have reduced the balance of Other Book (i.e. Cash Book)		
(1) Cheques Issued but not yet presented for the payments	xxx	
(2) Interest Credited by Bank but not recorded in Cash Book	xxx	
(3) Direct deposit by Debtors in Bank Account	xxx	
(4) Interest / Dividend Collected by Bank on our behalf not recorded in Cash Book	xxx	
(5) Cheque deposited and credited by bank but omitted to be recorded in the Cash Book	xxx	
(6) Wrong credit in Pass Book	xxx	
(7) Wrong credit in Cash Book	xxx	xxx
Closing Balance of Cash Book		

Situation 4: When Debit balance of Pass Book is given.

Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Pass Book (Dr.)		xxx
Add: Transaction increasing balances of Other Book (i.e. Cash Book)		
(1) Cheques Issued but not yet presented for the payments	xxx	
(2) Interest Credited by Bank but not recorded in Cash Book	xxx	
(3) Direct deposit by Debtors in Bank Account	xxx	
(4) Interest / Dividend Collected by Bank on our behalf not recorded in Cash Book	xxx	
(5) Cheque deposited and credited by bank but omitted to be recorded in the Cash Book	xxx	
(6) Wrong credit in Pass Book	xxx	

(7) Wrong credit in Cash Book	xxx	xxx
		xxx
Less: Transactions reducing Balances of Other Book (i.e. Cash Book)		
(1) Cheque deposited but not yet credited by Bank	xxx	
(2) Bank Interest / Charges debited by bank but not recorded in the Cash Book	xxx	
(3) Payments collected by Bank on our behalf but not recorded in the Cash book	xxx	
(4) Dishonour of Bill discounted with Bank or Dishonour of Cheque	xxx	
(5) Wrong debit in the Pass Book	xxx	
(6) Wrong debit in the Cash Book	xxx	xxx
Closing Balance of Cash Book		xxx

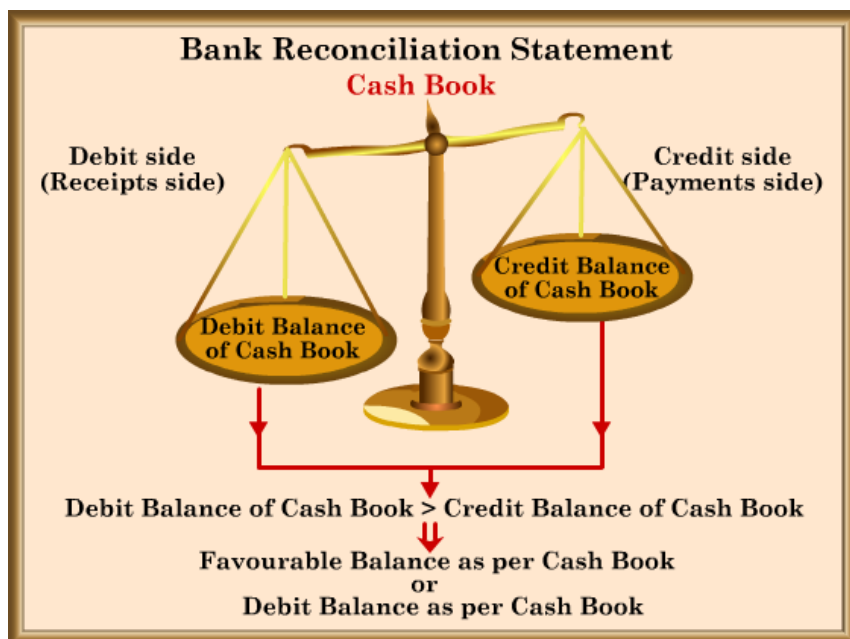
Favourable Balance as per Cash Book and Examples

Objective

After going through this lesson, you shall be able to understand how to prepare Bank Reconciliation Statements when **favourable balance as per Cash Book** is given.

Introduction

Favourable Balance as per Cash Book means Debit Balance of Bank Column of Cash Book. In other words, when Debit side of the Bank Column of Cash Book is more than its credit side, then the balancing figure reflects the Debit Balance (or the Favourable balance) of the Cash Book. This can be diagrammatically presented in the following figure.



On any given date, we compare this (Debit balance of) Cash Book balance with the (Credit Balance of) Pass Book balance. However, in case there is a mismatch between the balances, then for locating the reasons of mismatch, we prepare Bank Reconciliation Statement on that particular date. With the preparation of this statement, we can reconcile the balances of the two books.

Preparation of Bank Reconciliation Statements when *Favourable* balance as per Cash Book is given:

Example 1 Prepare Bank Reconciliation Statement of Garg Traders from the given information as on January 31, 2013:

- (1) Debit Balance as per Bank Column of Cash Book Rs 20,000
- (2) Cheques of Rs 2,500 issued to creditors but these were not presented till January 31, 2013.
- (3) Bank charged interest of Rs 500.
- (4) One of the debtors deposited Cash of Rs 1,000 directly in the bank.
- (5) Payment of Rs 1,200 recorded twice in the Cash Book.
- (6) Bank collected interest on investments of Rs 800 on behalf of Garg Traders.
- (7) Cheques of Rs 3,000 were deposited in the bank but out of this bank have realised only Rs 1,600 till January 31, 2013.
- (8) Bank by mistake has credited Rs 600.
- (9) Bank has paid Insurance Premium of Rs 1,200 as per standing instructions.

Solution

Bank Reconciliation Statement as on January 31, 2013		
Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (Dr.)		20,000
Add: Transactions that have increased the balance of Other Book (i.e. Pass Book)		

(2) Cheques issued but not yet presented for payment	2,500	
(4) Direct deposit by Debtors in Bank Account	1,000	
(5) Payment recorded twice in the Cash Book	1,200	
(6) Interest Collected by Bank on our behalf not recorded in Cash Book	800	
(8) Wrongly Credited in Pass Book	600	6,100
Less: Transactions which caused decrease in the balance of Other Book (i.e. Pass Book)		
(7) Cheque deposited but not yet credited by Bank (3,000 – 1,600)	1,400	
(3) Interest debited by bank but not recorded in the Cash Book	500	
(9) Insurance Premium paid by Bank not recorded in the Cash Book	1,200	3,100
Closing Balance of Pass book		23,000

Example 2 Comparing Naveen's Cash Book with his Bank Statement for the month of March, 2013 following points were identified:

- (1) Cash Book showed a Debit Balance of Rs 30,000.
- (2) Cheques of Rs 1,200, Rs 1,500, Rs 2,000 and Rs 1,600 were paid into the Bank. Out of these Bank has collected only cheque of Rs 1,200 and Rs 1,600.
- (3) Bank debited Account with Rs 200 as Bank Charges.
- (4) As per instructions Bank honoured one Bill of Rs 1,200.
- (5) Cheque of Rs 2,000 were paid to creditors, out of these, creditors presented cheque amounting Rs 1,400 for payment on April 05, 2013.
- (6) Bank has collected dividend of Rs 800 on behalf of Naveen.
- (7) Rajesh has deposited Rs 2,500 directly in the Bank Account of Naveen.
- (8) Payment side of Cash Book is undercasted by Rs 1,500.
- (9) Bank has wrongly debited Naveen Account with Rs 500

Solution

Bank Reconciliation Statement
as on March 31, 2013

Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (Dr)		30,000
<i>Add:</i> Transaction which have increased the balance of Other Book (i.e. Pass Book)		
(5) Cheques Issued but not yet presented for the payment till March 31	1,400	
(6) Dividend Collected by Bank on our behalf not recorded in Cash Book	800	
(7) Direct deposit by Rajesh in Bank Account	2,500	
		4,700
<i>Less:</i> Transactions that have reduced the balance of Other Book (i.e. Pass Book)		
(2) Cheque deposited but not yet credited by Bank (1,500 + 2,000)	3,500	
(3) Bank Charges debited by bank but not recorded in the Cash Book	200	
(4) Bill honoured by Bank but not recorded in the Cash Book	1,200	
(8) Payment side of Cash Book was undercasted	1,500	
(9) Wrongly debited by Bank	500	6,900
Closing Balance of Pass Book		27,800

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(8)	Payment side of the Cash Book was undercasted by Rs 1,500	Due to this balance of Cash Book is increased by Rs 1,500 as compared to Pass Book Balance.	So in this case we will decrease Cash Book balance by Rs 1,500. Therefore we will show this as deduction.

Example 3 From the following information prepare Bank Reconciliation Statement of Ranjeet as on July 31, 2013

(1) Cash Book showed a Debit Balance of Rs 20,000.

(2) Uncredited cheques amounted to Rs 2,800.

- (3) Bank has charged interest of Rs 500 for providing Overdraft facility
- (4) Cheques amounting Rs 2,000 were issued to Amrish, out of this only Cheques of Rs 1,200 were presented till July 31.
- (5) Receipts of Rs 600 were recorded twice in the Cash Book.
- (6) As per the standing instructions Bank has paid Loan Instalment of Rs 3,200 on behalf of Ranjeet.
- (7) Cheque of Rs 1,100 drawn on Ranjeet's Personal Saving Account but was wrongly shown in the Cash Book.
- (8) Cheque of Rs 1,050 issued and presented but omitted to recorded in the Cash Book
- (9) Debit side of Cash Book was Overcasted by Rs 600

Solution

Bank Reconciliation Statement		
as on July 31, 2013		
Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (Dr.)		20,000
<i>Add:</i> Transaction that have increased the Balance of Other Book (i.e. Pass Book)		
(4) Cheques Issued but not yet presented for the payment till July 31 (2,000 – 1,200)	800	
(7) Cheque drawn on Ranjeet Personal Saving Account but was credited wrongly in the Cash Book	1,100	1,900
<i>Less:</i> Transactions that have reduced the balance of Other Book (i.e. Pass Book)		
(2) Cheque deposited but not yet credited by Bank	2,800	
(3) Bank Interest debited by bank but not recorded in the Cash Book	500	
(5) Receipt of Rs 600 is recorded twice in the Cash Book	600	
(6) Loan Instalment of Ranjeet paid by the Bank	3,200	
(8) Cheque issued and presented but omitted to be recorded in the Cash Book	1,050	
(9) Debit side of Cash Book was overcasted	600	8,750
Closing Balance of Pass Book		13,150

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Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(7)	Cheque of Rs 1,100 drawn on Ranjeet's Personal Saving Account but was wrongly shown in the Cash Book.	As per this transaction instead of crediting Rs 1,100 in the Ranjeet's Personal Saving A/c it has been credited into Cash Book. Due to this Cash Book Balance has become lower than Pass Book balance by Rs 1,100	So in this case we will increase Cash Book balance by Rs 1,100. Therefore, it will be added in the debit balance as per cash book.

Example 4 From the following particulars, prepare Bank Reconciliation Statement of Miss Konika as on August 31, 2013.

- (1) Cash Book showed a debit balance of Rs 17,000.
- (2) One of the Debtor's Cheque of Rs 2,500 was dishonoured as per the Bank Statement, but not reflected in the Cash Book.
- (3) Cheque of Rs 1,090 issued and cashed but wrongly shown in the Cash Column of Cash Book.
- (4) As per standing instructions bank honoured a bill of Rs 450.
- (5) Cheque amounting Rs 4,500 was deposited into Bank but Bank failed to collect Rs 1,700.
- (6) Cheque of Rs 560 drawn by another Customer but wrongly charged to Konika's Account.
- (7) Cheque of Rs 800 was entered in the Cash book but omitted to be banked on August 31, 2013.
- (8) Cheque of Rs 3,500 drawn on Konika's Saving Account has been shown as drawn on her Current Account.
- (9) A bill of Rs 1,500 was discharged under the rebate of Rs 350 but full amount of Bill was credited in the Bank Column of the Cash Book.

Bank Reconciliation Statement as on August 31, 2013		
Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (Dr.)		17,000
<i>Add:</i> Transaction that have increased the balance of Other Book (i.e. Pass Book)		
(8) Cheque drawn on Konika's Saving Account but shown as drawn on her Current Account	3,500	
(9) Rebate on Bill entered in the Cash Book	350	3,850
<i>Less:</i> Transactions that have reduced the balance of Other Book (i.e. Pass Book)		
(2) Cheque dishonoured but not shown in the Cash Book	2,500	

(3) Cheque of Rs 1,090 was issued and cashed but wrongly shown in the Cash Column of Cash Book	1,090	
(4) Bill honoured by Bank	450	
(5) Cheque deposited but not yet Collected by the Bank	1,700	
(6) Wrong debit by Bank to Konika's Account	560	
(7) Cheque omitted to be banked	800	7,100
Closing Balance of Pass Book		13,750

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(2)	One of the Debtor's Cheque of Rs 2,500 was dishonoured as per the Bank Statement, but not reflected in the Cash Book.	Due to this Pass Book Balance has become lower than Cash Book balance by Rs 2,500.	So, in this case we will reduce Cash Book Balance by Rs 2,500. Therefore, it will be subtracted in the balance as per cash book.
(6)	Cheque of Rs 560 drawn by another Customer but wrongly charged to Konika's Account.	Due to this Pass Book Balance has become lower than Cash Book Balance by Rs 560	So, in this case we will reduce Cash Book Balance by Rs 560. Therefore, it will be deducted from the debit balance as per cash book.
(9)	A bill of Rs 1,500 was discharged under the rebate of Rs 350 but full amount of Bill was credited in the Bank Column of the Cash Book.	As per this transaction while making payment for the Bill of Rs 1,150 (1,500 – 350), Rs 1,500 were credited in the Cash Book. Due to this Cash Book Balance has become lower than Pass Book Balance by Rs 350 (1,500 – 1,150)	So in this case we will increase Cash Book balance by Rs 350. Therefore, it will be added in the cash book balance.

Example 5 Prepare Bank Reconciliation Statements of Deepak from the given information as on June 30, 2013:

- (1) Cash Book showed a debit balance of Rs 24,000.
- (2) A cheque of Rs 4,400 was deposited directly into the bank by a customer.
- (3) Bills for Collection credited in the Pass Book is Rs 6,500.
- (4) A credit note for Rs 850 received from the Bank was wrongly recorded in the Cash Book debit side as Rs 580.

- (5) A cheque of Rs 1,910 issued and cashed duly, but shown in the Cash Book as paid into the Bank.
- (6) A cash deposit of Rs 500 was recorded in the Cash Book as if there is no Bank column therein.
- (7) Cash discount received of Rs 250 was recorded as Rs 520 in the Bank column.
- (8) A cheque of Rs 850 shown in the Cash Book as deposited into the Bank, but was wrongly kept inside the Cash Box.
- (9) Debit balance of Rs 1,400 as on the previous day was brought forwarded as Credit balance.

Solution

Bank Reconciliation Statement as on June 30, 2013		
Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (Dr.)		24,000
Add: Transaction that have increased the balance of Other Book (i.e. Pass Book)		
(2) Direct deposit by a customer in bank account	4,400	
(3) Bills for Collection not advised by Bank but credited to the Account	6,500	
(4) Credit note received for Rs 850 was wrongly recorded in the Cash Book debit side with Rs 580 (850 – 580)	270	
(6) Cash deposit not recorded in the Bank Column of Cash Book	500	
(7) Cash Discount received wrongly recorded in the Bank Column	520	
(9) Debit balance of Cash Book is Carry Forwarded as Credit Balance (1,400 + 1,400)	2,800	14,990
Less: Transactions that have reduced the balance of Other Book (i.e. Pass Book)		
(5) An issued cheque of Rs 1,910, erroneously recorded in the Cash Book as deposited into the Bank (1,910 + 1,910)	3,820	
(8) Cheque Received was recorded in the Cash Book but not deposited	850	4,670
Closing Balance of Pass Book		34,320

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(5)	A cheque of Rs 1,910 issued and cashed duly, but shown in the Cash Book as deposited into Bank.	As per this transaction, Cash Book Balance instead of decreasing by Rs 1,910 it was increased by Rs 1,910. On the other hand, Pass Book balance was reduced by Rs 1,910. As a result, Pass Book balance has become lower than Cash Book Balance by Rs 3,820. (1,910 + 1,910)	So in this case, we will decrease cash Book balance by Rs 3,820. Therefore, it will be subtracted in the cash book balance.
(9)	Debit balance of Rs 1,400 as on the previous day was brought forwarded as Credit balance.	As per this transaction, Cash Book Balance instead of increasing by Rs 1,400 it was reduced by Rs 1,400. On the other hand, Pass Book balance was increased by Rs 1,400. As a result Pass Book balance has become higher than Cash Book Balance by Rs 2,800. (1,400 + 1,400)	So in this case, we will increase Cash Book balance by Rs 2,800. Therefore, it will be added in the cash book balance.
(7)	Cash discount received Rs 250 was recorded as Rs 520 in the Bank column.	In the Cash Book, we show payments and receipts net of discount. So as per this transaction, Cash Book balance is lower than Pass Book balance by Rs 520.	So in this case, we will increase Cash Book Balance by Rs 520. Therefore, it will be added in the cash book balance.

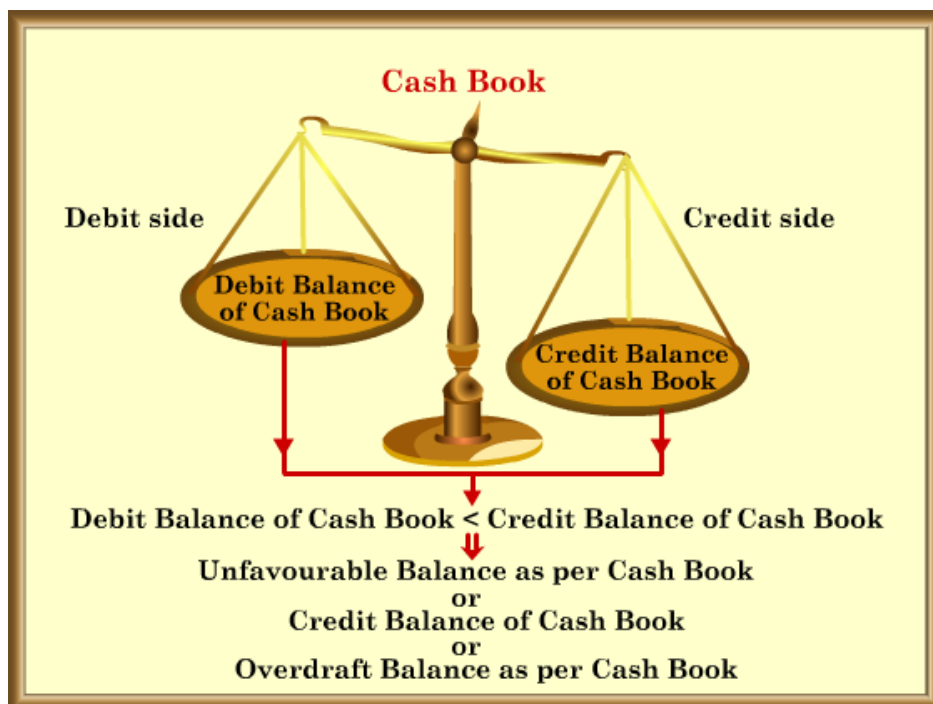
Unfavourable (or Overdraft) Balance as per Cash Book and Examples

Objectives

After going through this lesson, you shall be able to understand how to prepare Bank Reconciliation Statements when **unfavourable balance as per Cash Book** is given.

Introduction

Unfavourable Balance as per Cash Book means Credit balance or Overdraft balance of Bank Column of the Cash Book. In other words, when Credit side of the Cash Book is more than its debit side, then the balancing figure shown reflects Credit balance (or Overdraft Balance or Unfavourable balance) of Cash Book. This can be diagrammatically presented in the following figure.



On any given date, we compare this credit balance of the Cash Book with the Pass Book balance. However, in case there is a mismatch between the balances, then for locating the reasons of mismatch, we prepare Bank Reconciliation Statement on that particular date. With the preparation of this statement, we can reconcile the balances of the two books.

Preparation of Bank Reconciliation statements when Unfavourable or Overdraft balance as per Cash Book is

given:

Example 1 Prepare Bank Reconciliation Statement of Sai Ram Traders from the given information as on September 30, 2013:

- (1) Overdraft Balance as per Bank Column of Cash Book is Rs 25,000.
- (2) Bank has paid Insurance Premium of Rs 1,700 as per standing instructions.
- (3) Bank has credited dividend of Rs 500 not yet entered in the Cash Book.
- (4) Bank charged interest of Rs 700.
- (5) Receipt of Rs 1,600 recorded twice in the Cash Book.
- (6) Shama deposited cash of Rs 1,000 directly in the Account of Sai Ram Traders.
- (7) Cheques amounting Rs 2,600 deposited in the bank but bank has collected Rs 1,500 only.
- (8) Bank erroneously debited Sai Ram Traders Account by Rs 450.
- (9) Cheques of Rs 2,800 issued to Creditors, out of this Cheques amounting Rs 1,200 were cleared till September 30, 2013.

Solution

Bank Reconciliation Statement		
<i>as on September 30, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (Cr.)		25,000
<i>Add:</i>		
(2) Insurance Premium paid by Bank not recorded in the Cash Book	1,700	
(4) Interest Charged by Bank not recorded in the Cash Book	700	
(5) Receipt of Rs 1,600 recorded twice in the Cash Book	1,600	
(7) Cheques deposited but not yet credited by the bank(2,600 – 1,500)	1,100	
(8) Wrongly Debited in the Pass Book	450	5,550
<i>Less:</i>		
(3) Dividend credited by Bank not recorded in the Cash Book	500	

(6) Shama deposited Cash directly in the Bank	1,000	
(9) Cheques issued but not yet cleared (2,800 – 1,200)	1,600	(3,100)
Closing Balance of Pass Book		27,450

Example 2 Prepare Bank Reconciliation Statement from the following particulars as on May 31, 2013 :

(1) Cash Book showed an Overdraft Balance of Rs 15,000.

(2) Cheques amounting Rs 2,950 were drawn in favour of Creditors- of them one Creditor for Rs 1,250 encashed his cheque on June 07, 2013 whereas other for Rs 720 has not encashed his cheque yet.

(3) Receipt side of Cash Book was undercasted by Rs 2,200.

(4) Cheque of Rs 3,700 issued and cashed but omitted to be recorded in the Cash Book.

(5) Cheque of Rs 1,800 drawn but presented for encashment in the month of June 2013.

(6) Bank Charges of Rs 150 debited in the Pass Book but not entered in the Cash Book.

(7) Bank collected Insurance Claim of Rs 2,000 as per the Standing Instructions.

(8) During the month, one of the Cheque of Rs 1,200 received from Mahesh sent to the Bank without recording in the Cash Book.

(9) During the month cheques of Rs 3,500 was deposited into Bank but out of these one Cheque of Rs 600 has been recorded in the Pass Book on June 12, 2013.

Solution

Bank Reconciliation Statement <i>as on May 31, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Overdraft Balance as per Cash Book (Cr.)		15,000
<i>Add:</i>		
(4) Cheque issued but omitted to be recorded in the Cash Book	3,700	
(6) Bank Charges debited in the Pass Book but not recorded in the Cash Book	150	
(9) Cheque deposited but not yet credited	600	4,450

Less:		
(2) Cheques issued but not yet presented for payment (1,250 + 720)	1,970	
(3) Receipt side of the Cash Book was undercasted	2,200	
(5) Cheque of Rs 1,800 drawn but encashed in the next month	1,800	
(7) Bank Collected Insurance Claim as per Standing Instructions not recorded in the Cash Book	2,000	
(8) Cheque Received from Mahesh was not recorded in the Cash Book	1,200	(9,170)
Closing Balance of Pass Book		10,280

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(2)	Cheques amounting Rs 2,950 were drawn in favour of Creditors- of them one Creditor for Rs 1,250 encashed his cheque on June 07, 2013 whereas other for Rs 720 has not encashed his cheque yet.	As per the transaction, cheques of Rs 2,950 were issued to creditors, out of these: (i) Cheques of Rs 1,250 were encashed after May 31. (ii) Cheque of Rs 720 was not encashed till May 31. Due to this Cash Book Balance becomes lower than Pass Book Balance by Rs 1,970 (1,250 + 720)	So in this case we have to increase Cash Book Balance by Rs 1,970. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as a deduction.
(8)	During the month one of the Cheque of Rs 1,200 received from Mahesh sent to the Bank without recording in the Cash Book.	As per the transaction, one cheque of Rs 1,200 was received from Mahesh and was deposited into the bank but not recorded on the debit side of the Cash Book. Due to this Cash Book balance has become lower than the Pass Book Balance by Rs 1,200.	So in this case we have to increase Cash Book Balance by Rs 1,200. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as deduction.
(9)	During the month cheques of Rs 3,500 was deposited into Bank but out of these one Cheque of Rs 600 has been recorded in the Pass Book on June 12, 2013	As per the transaction, cheques of Rs 3,500 were deposits in the bank, out of this one cheque of Rs 600 was credited by bank after May 31, 2013. Due to this Cash Book balance becomes greater than the Pass Book Balance by Rs 600.	So in this case we will reduce cash book balance by Rs 600. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as addition.

Example 3 From the following information prepare Bank Reconciliation Statement of Manish Singh as on July 31, 2013.

(1) Cash Book showed an Overdraft balance of Rs 25,000.

(2) A cheque of Rs 1,250 deposited into the Bank and also duly credited by it but shown in the Pass Book as Rs 1,205 only.

- (3) Interest on Overdraft of Rs 560 charged by Bank but recorded in the Cash Book as interest received from the Bank.
- (4) As per the instructions Bank honoured a bill of Rs 1,320.
- (5) Uncredited Cheques amounted to Rs 1,420.
- (6) A cheque of Rs 1,090 issued and cashed but wrongly shown in the Cash Column of Cash Book.
- (7) One of the debtors's cheque of Rs 1,220 was dishonoured as per the Pass Book but not reflected in the Cash Book .
- (8) Credit transfer of Rs 720 not recorded in the Cash Book.
- (9) One of the cheque of Rs 390 shown in the Cash Book as deposited in the Bank, but was wrongly kept inside the Cash Box.

Solution

Bank Reconciliation Statement		
<i>as on July 31, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (Cr.)		25,000
<i>Add:</i>		
(2) Cheque of Rs 1,250 credited by the Bank with Rs 1,205	45	
(3) Interest on Overdraft charged by Bank but recorded in the Cash Book as interest received from the Bank (560 + 560)	1,120	
(4) As per the instructions Bank honoured a Bill	1,320	
(5) Uncredited Cheques amounted Rs 1,420	1,420	
(6) Cheque issued but wrongly shown under Cash Column of Cash Book	1,090	
(7) Cheque of Rs 1,220 was dishonoured as per Pass Book but not reflected in the Cash Book	1,220	
(9) Cheque recorded in the Cash Book as deposited into bank but was wrongly kept inside the Cash Box	390	6,605
<i>Less:</i>		
(8) Credit Transfer not recorded in the Cash Book	720	(720)
Closing Balance of Pass Book		30,885

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Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(3)	Interest on Overdraft of Rs 560 charged by Bank but recorded in the Cash Book as interest received from the Bank.	As per the transaction, bank has debited interest on overdraft in the pass book. But in the cash book instead of crediting interest on overdraft, this interest is debited with Rs 560. Due to this balance of Cash Book has become higher than Pass Book balance with Rs 1,120 (560+560)	So in this case we are required to reduce cash book balance by Rs 1,120. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as addition.
(8)	Credit transfer of Rs 720 not recorded in the Cash Book	As per the transaction, there is a credit transfer of Rs 720 in the pass book, which is not debited in the cash book. Due to this Cash Book balance become lower than the pass book balance by Rs 720.	So in this case we requires to increase Cash Book Balance by Rs 720. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as deduction.
(9)	One of the cheque of Rs 390 shown in the Cash Book as deposited in the Bank, but was wrongly kept inside the Cash Box.	As per the transaction, cheque of Rs 390 was shown on the debit side of the Cash Book as deposited in the bank but it was not deposited in the bank. Due to this Cash Book balance become greater than the pass book balance by Rs 610.	So in this case we have to reduce cash book balance by Rs 390. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as addition.

Example 4 From the following information prepare Bank Reconciliation Statement of Rohit Shetty as on April 30, 2013.

- (1) Cash Book showed an Overdraft balance of Rs 28,000.
- (2) Unpresented Cheques amounting Rs 7,100.
- (3) Cheques amounting to Rs 1,870 drawn in favour of Creditors out of which one of the Creditor cheque of Rs 820 became dishonoured and another Creditors's Cheque of Rs 500 was lost due to theft.
- (4) Rohit Shetty settled his due of Rs 1,520 by paying a cheque of Rs 1,090 and it was recorded in the Cash Book bank column without recording the discount.
- (5) Cheque drawn on the Rohit Shetty's Personal Saving Account of Rs 600, but it was wrongly shown in the Cash Book
- (6) Cheque of Rs 1,090 drawn by another customer wrongly charged to Rohit Shetty's Account.
- (7) Cheque of Rs 755 was entered on Debit side in the Cash Book but omitted to be banked.
- (8) Cheques of Rs 2,800 were deposited but bank has collected only Rs 1,280 till April 30.
- (9) Bank wrongly credited Rohit Shetty's Account twice with Rs 800.

Solution

Bank Reconciliation Statement <i>as on April 30, 2013</i>		
Particulars	Amount	Amount

	(Rs)	(Rs)
Bank Balance as per Cash Book (Cr.)		28,000
Add:		
(6) Cheque drawn by another Customer but wrongly shown in the Cash Book	1,090	
(7) Cheque entered in the Cash Book but omitted to be Banked	755	
(8) Cheques of Rs 2,800 were deposited but bank has credited only Rs 1,280 till April 30	1,520	3,365
Less:		
(2) Unpresented Cheques	7,100	
(3) Cheques of Rs 1,870 were issued out of this cheque of Rs 820 get dishonoured and Cheque of Rs 500 was lost due to theft	1,320	
(5) Cheque drawn on Personal Saving Account but was wrongly shown in the Cash book	600	
(9) Bank wrongly credited twice Rohit Shetty's Account	800	(9,820)
Closing Balance of Pass Book		21,545

Note: As per adjustment no 4 is not affecting our Cash Book and Pass Book therefore it is not considered in the BRS.

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(3)	Cheques amounting to Rs 1,870 drawn in favour of Creditors out of which one of the Creditor cheque of Rs 820 became dishonoured and another Creditors's Cheque of Rs 500 was lost due to theft.	As per the transaction, cheques of Rs 1,870 were drawn, out of these: (i) Cheque of Rs 820 was dishonoured. (ii) Cheque of Rs 500 was lost due to theft. As these cheques of Rs 1,320 are credited in the Cash Book but not debited in the pass book due to above reasons. Hence it results in making balance of Cash Book to be lower than balance of Pass book with Rs 1,320.	So in this case we will increase Cash Book Balance by Rs 1,320. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i>, we will show this as deduction.

(4)	Rohit Shetty settled his due of Rs 1,520 by paying a Cheque of Rs 1,090 and it was recorded in the Cash Book bank column without recording the discount.	As per the transaction, Rohit Shetty settled his debt of Rs 1,520 by paying through cheque of Rs 1,090 in full settlement. This payment is credited in the Cash Book with Rs 1,090 <i>i.e.</i> without recording discount amount of Rs 430 (1,520 – 1,090). This treatment is correct as payment is recorded in the Cash Book as well as Pass Book with the amount actually paid by cheque <i>i.e.</i> net of discount. Therefore its treatment is correct in both the books.	No Treatment
(5)	Cheque drawn on the Rohit Shetty's Personal Saving Account of Rs 600, but it was wrongly shown in the Cash Book	As per the transaction, cheque of Rs 600 was issued through Personal Saving Account of proprietor but wrongly credited in the Cash Book of the business. Due to this Cash Book balance becomes lower than the Pass Book balance by Rs 600.	So in this case we will increase Cash Book Balance by Rs 600. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as deduction.
(6)	Cheque of Rs 1,090 drawn by another customer wrongly charged to Rohit Shetty's Account	As per the transaction, one cheque of Rs 1,090 was issued by some other customer of bank but it was wrongly debited in the Pass Book(or Account) of Rohit Shetty. Due to this balance of Cash Book stands increased as compared to the balance of the Pass Book by Rs 1,090	So in this case we will reduce cash book balance by Rs 1,090. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as addition.

Example 5 Prepare Bank Reconciliation Statements of Shekhar from the given information as on October 31, 2013:

- (1) Cash Book showed a Overdraft balance of Rs 18,000.
- (2) A party's cheque of Rs 820 has been returned by the Bank remarked "refer to drawer" but no entry has been made in the Cash Book for such an event.
- (3) Debit balance of Rs 1,880 as on the previous day was brought forwarded as Credit balance.
- (4) Cheques of Rs 2,820 were deposited, out of this one Cheque of Rs 590 was credited on October 30 and another Cheque of Rs 780 on November 03.
- (5) One Cheque of Rs 1,410 was issued but it was returned on some technical grounds.
- (6) An issued cheque of Rs 1,500 was dishonoured but Cash Book shows a deposited cheque has become dishonoured.
- (7) A cheque of Rs 1,120 shown in the Cash Book as deposited into the Bank, but was wrongly kept inside the Cash Box.
- (8) A credit note for Rs 750 received from the Bank was wrongly recorded in the Cash Book debit side as Rs 705.

Solution

Bank Reconciliation Statement as on October 31, 2013		
Particulars	Amount (Rs)	Amount (Rs)

Bank Balance as per Cash Book (Cr)		18,000
Add:		
(2) Party's Cheque has been returned by the Bank remarked "refer to drawer" but no entry has been made in the Cash Book for such an event	820	
(4) Cheque deposited but not yet credited	780	
(7) Cheque of Rs 1,120 shown in the Cash Book as deposited into the Bank, but was wrongly kept inside the Cash Box	1,120	2,720
Less:		
(3) Debit balance of Rs 1,880 as on the previous day was brought forwarded as Credit balance	3,760	
(5) Cheque returned on some technical grounds	1,410	
(6) Issued cheque of Rs 1,500 was dishonoured but Cash Book shows a deposited cheque has become dishonoured	3,000	
(8) A credit note for Rs 750 received from the Bank was wrongly recorded in the Cash Book debit side as Rs 705	45	(8,215)
Closing Balance of Pass Book		12,505

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(2)	A party's cheque of Rs 820 has been returned by the Bank remarked "refer to drawer" but no entry has been made in the Cash Book for such an event.	As per the transaction, party's cheque of Rs 820 was dishonoured and accordingly, debited in the Pass book. But this dishonour has not been credited in the Cash Book. Due to this balance of Cash Book becomes higher than the balance of the Pass Book by Rs 820	So in this case we require to reduce cash book balance by Rs 820. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as addition.
(3)	Debit balance of Rs 1,880 as on the previous day was brought forwarded as Credit balance.	As per the transaction, debit balance of the Cash Book of Rs 1,880 on the previous day was brought forwarded to next day as a Credit Balance. Due to this balance of Cash book falls by Rs 3,760 (1,880 + 1,880). Hence balance of Cash Book is lower than the balance of the Pass Book by Rs 3,760.	So in this case we require to increase Cash Book Balance by Rs 3,760. But as Cash Book (<i>i.e.</i> given book) shows a credit

			balance, <i>therefore</i> , we will show this as deduction.
(6)	An issued cheque of Rs 1,500 was dishonoured but Cash Book shows a deposited cheque has become dishonoured.	As per the transaction, one issued cheque of Rs 1,500 got dishonoured and debited in the Pass Book. In the Cash Book, this dishonour of a issued cheque is considered as a dishonour of a deposited cheque. Accordingly, instead of debiting in the cash book, it is credited. Due to this, balance of the Cash Book falls by Rs 3,000 (1,500 + 1,500). Hence balance of Cash Book is lower than the balance of the Pass Book by Rs 3,000.	So in this case we require to increase Cash Book Balance by Rs 3,000. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as deduction.
(8)	A credit note for Rs 750 received from the Bank was wrongly recorded in the Cash Book debit side as Rs 705	As per the transaction, one credit note of Rs 750 was received from the bank but it was wrongly debited in the Cash Book with Rs 705. Due to this balance of the Cash Book becomes lower than the balance of Pass book by Rs 45 (750 – 705).	So in this case we require to increase Cash Book Balance by Rs 45. But as Cash Book (<i>i.e.</i> given book) shows a credit balance, <i>therefore</i> , we will show this as deduction.

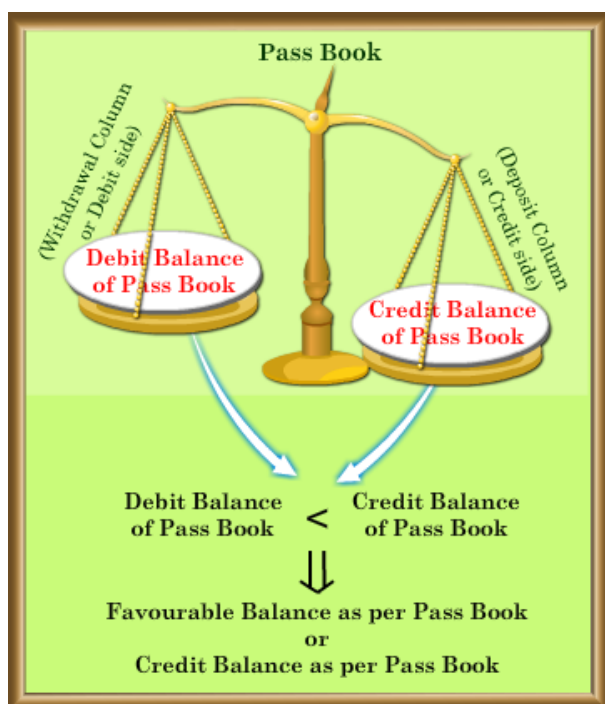
Favourable Balance as per Pass Book and Examples

Objectives

After going through this lesson, you shall be able to understand how to prepare Bank Reconciliation Statements when **favourable balance as per Pass Book** is given.

Introduction

Favourable Balance as per Pass Book means Credit balance of Account holder in the Pass Book. In other words, when Credit side of the Pass Book is more than its Debit side, then the balancing figure reflects the credit balance (or Favourable balance) of the Pass Book. This can be diagrammatically presented in the following figure.



On any given date, we compare this (Credit balance) Cash Book balance with the (Debit Balance) Pass Book balance. However, in case there is a mismatch between the balances, then for locating the reasons of mismatch, we prepare Bank Reconciliation Statement on that particular date. With the preparation of this statement, we can reconcile the balances of the two books.

Preparation of Bank Reconciliation statements when Favourable balance as per Pass Book is given:

Example 1 Prepare Bank Reconciliation Statement of Batra Bros. from the given information as on September 30, 2013:

- (1) Credit Balance as per Pass Book 15,000.
- (2) Cheques of Rs 5,800 were issued but only Rs 3,900 were presented till September 30.
- (3) Bank has Collected Dividend of Rs 800 on behalf of Batra Bros.
- (4) Cheques of Rs 4,700 received from customers were deposited, out of which Rs 2,200 were credited before June 30.
- (5) Cheque of Rs 870 was dishonoured but not reflected in the Bank Statement.
- (6) An outgoing cheque of Rs 590 was recorded twice in the Cash Book.
- (7) Debit side of the Cash Book was undercasted by Rs 700.
- (8) Cheque of Rs 1,500 paid into Bank but wrongly debited in the Pass Book
- (9) Bank wrongly credited Batra Bros Account by Rs 550.

Solution

Bank Reconciliation Statement		
<i>as on September 30, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Credit Balance as per Pass Book		15,000
<i>Add: Transactions which have increased the balance of Other Book (i.e. Cash Book)</i>		
(4) Cheque deposited but not yet credited (4,700 – 2,200)	2,500	
(8) Cheque of Rs 1,500 paid into Bank but wrongly debited in the Pass Book	3,000	5,500
<i>Less: Transactions which reduces the balance of Other Book (i.e. Cash Book)</i>		
(2) Cheque issued but not yet presented (5,800 – 3,900)	1,900	
(3) Bank has Collected Dividend of Rs 800 on behalf of Batra Bros	800	
(5) Cheque of Rs 870 was dishonoured but not reflected in the Bank Statement	870	
(6) An outgoing cheque of Rs 590 was recorded twice in the Cash Book	590	
(7) Debit side of the Cash Book was undercasted by Rs 700	700	

(9) Wrong credit by Bank	550	5,410
Closing Balance of Cash Book		15,090

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(6)	An outgoing cheque of Rs 590 was recorded twice in the Cash Book	Due to this Cash Book Balance has become lower than Pass Book balance by Rs 590.	So in this case we will reduce Pass Book (<i>Given Book</i>) Balance by Rs 590. Therefore, we will show this as deduction.
(8)	Cheque of Rs 1,500 paid into Bank but wrongly debited in the Pass Book	As per the transaction, cheque of Rs 1,500 was deposited in the bank but instead of crediting(adding), bank has debited(subtracted) in the Pass Book. Due to this, balance of Pass Book has become lower than Cash Book Balance by Rs 3,000 (1,500 + 1,500)	So in this case, we will increase Pass Book (<i>Given Book</i>) Balance by Rs 3,000 to match with the cash book. Therefore, we will show this as addition.

Example 2 Prepare Bank Reconciliation Statement of Mr. Kulwant Singh from the following particulars as on December 31, 2013:

- (1) Credit Balance as per Pass Book 21,000.
- (2) Bank Interest of Rs 800 was recorded twice in the Cash Book.
- (3) Three Cheques of Rs 1,500 each were deposited out of these only first two cheques were encashed till December 31.
- (4) Cheque of Rs 1,600 as received from the employer was sent to the Bank on the same day without recording in the Cash Book.
- (5) Bill of Rs 2,060 discounted with the Bank at Rs 1,920 get dishonoured but no entry has been made in the Cash Book.
- (6) One of the Debtors directly deposited Rs 6,200 in the Bank but same was not recorded in the Cash Book.
- (7) Cheque issued of Rs 850 and cashed but shown in the Cash Book as 1,050.
- (8) Withdrawal Column of Pass Book was undercasted by Rs 1,000.
- (9) Debtor's Cheque of Rs 980 was dishonoured and not reflected in the Cash Book.

Solution

Bank Reconciliation Statement <i>as on December 31, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Credit Balance as per Pass Book (Cr.)		21,000

Add: Transactions that have increased the balance of Other Book (i.e. Cash Book)		
(2) Bank Interest of Rs 800 was recorded twice in the Cash Book	800	
(3) Three Cheques of Rs 1,500 each were deposited out of these only first two cheques were encashed till December 31	1,500	
(5) Bill of Rs 2,060 discounted with the Bank at Rs 1,920 get dishonoured but no entry has been made in the Cash Book	1,920	
(9) Debtor's Cheque of Rs 980 was dishonoured and not reflected in the Cash Book	980	5,200
Less: Transactions which caused reduction in the balance of Other Book (ie Cash Book)		
(4) Cheque of Rs 1,600 as received from the employer was sent to the Bank on the same day without recording in the Cash Book	1,600	
(6) One of the Debtors directly deposited Rs 6,200 in the Bank but same was not recorded in the Cash Book	6,200	
(7) Cheque issued of Rs 850 and cashed but shown in the Cash Book as 1,050	200	
(8) Withdrawal Column of Pass Book was undercasted by Rs 1,000	1,000	9,000
Closing Balance of Cash Book		17,200

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(4)	Cheque of Rs 1,600 as received from the employer was sent to the Bank on the same day without recording in the Cash Book.	As per the transaction, one cheque of Rs 1,600 was deposited in the bank but it was not debited in the Cash Book. Due to this, Pass Book balance becomes higher than Cash Book balance by Rs 1,600.	So in this case, we will reduce Pass Book (<i>Given Book</i>) Balance by Rs 1,600. Therefore, we will show this as deduction.
(7)	Cheque issued of Rs 850 and cashed but shown in the Cash Book as 1,050	As per the transaction, cheque of Rs 850 was drawn and duly debited in the Pass book. But at the time of recording in the Cash Book, cheque was credited with Rs 1,050. Due to this, balance of Cash Book falls short than Pass Book Balance by Rs 200 (1,050 – 850)	So in this case, we will reduce Pass Book (<i>Given Book</i>) Balance by Rs 200. Therefore, we will show this as deduction.

Example 3 From the following information, prepare Bank Reconciliation Statement of Saranjeet Singh as on September 30, 2013.

(1) Pass Book showed a Credit balance of Rs 18,000.

- (2) One of the debtors Prabhjeet Singh deposited cash of Rs 1,000 directly in the bank.
- (3) In the Cash Book, a bank charge of Rs 150 was recorded twice while another bank charge of Rs 70 was not recorded at all.
- (4) A bill for Rs 4,500 (discounted with bank in August) dishonoured on September 30, 2013 and noting charges of Rs 250 were paid by bank. This is not recorded in the Cash Book
- (5) Cheques of Rs 6,030 paid to creditors, out of these Creditors presented cheques amounting Rs 2,110 for payment on October 03, 2013.
- (6) The Payment of Cheque for Rs 450 was recorded twice in the Pass Book.
- (7) Bills for Collection credited to Saranjeet Account in Pass Book of Rs 4,000.
- (8) Outstation Cheques for Rs 5,000 lodged in the bank on September 28, 2013 but out of these, cheques amounting Rs 2,000 were credited in October, 2013.
- (9) Interest charged on Bank Overdraft not entered in the Cash Book Rs 512.

Solution

Bank Reconciliation Statement <i>as on September 30, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Pass Book (Cr.)		18,000
<i>Add:</i> Transaction which caused increase in the balance of Other Book (ie Pass Book)		
(4) A bill for Rs 4,500 dishonoured on September 30, 2013 and noting charges of Rs 250 were paid by bank (4,500 + 250)	4,750	
(6) The Payment of Cheque for Rs 450 was recorded twice in the Pass Book	450	
(8) Outstation Cheques for Rs 5,000 lodged in the bank on September 28, 2013 but out of these, cheques amounting Rs 2,000 were credited in October ,2013	2,000	
(9) Interest charged on Bank Overdraft not entered in the Cash Book	512	7,712
<i>Less:</i> Transactions that caused reduction in the balance of Other Book (ie Pass Book)		
(2) Debtor Prabhjeet Singh deposited cash of Rs 1,000 directly in the bank	1,000	
(3) In the Cash Book, a bank charge of Rs 150 was recorded twice while another bank charge of Rs 70 was not recorded at all	80	

(5) Cheque of Rs 6,030 paid to creditors, out of this Creditors presented cheque amounting Rs 2,110 for payment on October 03, 2013	2,110	
(7) Bills for Collection not advised by the bank but credited to Saranjeet Account	4,000	7,190
Closing Balance of Pass Book		18,522

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(3)	In the Cash Book, bank charge of Rs 150 was recorded twice while another bank charge of Rs 70 was not recorded at all.	As per the transaction, following things happened: (i) Bank charges of Rs 150 were recorded twice which has to be subtracted; and (ii) Bank charges of Rs 70 not recorded at all. (which needs to be added) Due to this Pass book balance stands increased with <i>net decrease</i> of Rs 80 (150 – 70) as compared to Cash Book balance.	So in this case, we will reduce Pass Book (<i>Given Book</i>) Balance by Rs 80. Therefore, we will show this as deduction.
(4)	A bill for Rs 4,500 (discounted with bank in August) dishonoured on September 30, 2013 and noting charges of Rs 250 were paid by bank. This is not recorded in the Cash Book	As per the transaction, discounted bill of Rs 4,500 was dishonoured and noting charges of Rs 250 were paid by bank but both of them are not credited in the Cash Book. Due to this Pass Book balance falls short than Cash Book Balance by Rs 4,750 (4,500 + 250)	So in this case, we will increase Pass Book (<i>Given Book</i>) Balance by Rs 4,750 to match the cash book balance. Therefore, we will show this as addition.

Example 4 From the following information, prepare Bank Reconciliation Statement of Puneet Lokhande as on June 30, 2013.

- (1) Credit Balance as per Pass Book 14,520.
- (2) Bank paid house tax Rs 350 on behalf of Puneet Lokhande but no information was received from the bank.
- (3) Cheque for Rs 1,200 was returned dishonoured by the bank and was debited in the Pass Book only.
- (4) Cheques totaling Rs 3,410 deposited with the bank have not yet been collected and another cheque for Rs 1,090 was rejected due to some technical reasons.
- (5) Bank has collected Interest on Investments Rs 1,200.
- (6) Cheque received of Rs 670 entered twice in the Cash Book.
- (7) There is a debit of Rs 120 in respect of Locker Rent in the Pass Book, this has been adjusted in the Cash Book on June 30.
- (8) On June 30, 2013 cash was deposited in Bank Rs 520 but cashier by mistake debited bank column with Rs 720.
- (9) Bank wrongly debited Puneet Lokhande Account with Rs 590.

Solution

Bank Reconciliation Statement

as on June 30, 2013

Particulars	Amount (Rs)	Amount (Rs)
Credit Balance as per Pass Book		14,520
<i>Add:</i> Transactions which caused increase in the balance of Other Book (i.e. Cash Book)		
(2) Bank paid house tax Rs 350 on behalf of Puneet Lokhande	350	
(3) Cheque for Rs 1,200 was returned dishonoured by the bank and was debited in the Pass Book only	1,200	
(4) Cheques totaling Rs 3,410 deposited with the bank have not yet been collected and another cheque for Rs 1,090 was rejected due to some technical reasons	4,500	
(6) Cheque received of Rs 670 entered twice in the Cash Book	670	
(8) Cash was deposited in bank Rs 520 but cashier by mistake debited bank column with Rs 720	200	
(9) Wrong debit by Bank	590	7,510
<i>Less:</i> Transactions that reduces balances of Other Book (i.e. Cash Book)		
(5) Bank has collected Interest on Investments	1,200	1,200
Closing Balance of Pass Book		20,830

Note: Adjustment no 7 is not affecting our Cash Book and Pass Book therefore it is not considered in the BRS.

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(2)	Bank paid house tax Rs 350 on behalf of Puneet Lokhande but no information was received from the bank.	As per the transaction, house tax of Rs 350 was paid by Bank and debited in the pass book but it was not credited in the Cash Book. Due to this, Pass Book balance fall short of Cash Book balance by Rs 350.	So in this case we will increase Pass Book (<i>Given Book</i>) Balance by Rs 350. Therefore, we will show this as addition.
(4)	Cheques totaling Rs 3,410 deposited with the bank have not yet been collected and another cheque for Rs 1,090 was rejected due to some technical reasons	As per the transaction, two activities happened: (i) Cheques of Rs 3,410 were deposited in bank but not credited by bank.	So in this case, we will increase Pass Book(<i>Given Book</i>) Balance by Rs 4,500. Therefore, we will show this as addition.

		(ii) Cheque of Rs 1,090 deposited in bank but was rejected and therefore not credited by bank. Due to this, balance of Pass book falls short of Cash Book balance by Rs 4,500 (3,410 + 1,090)	
(7)	There is a debit of Rs 120 in respect of Locker Rent in the Pass Book, this has been adjusted in the Cash Book on June 30.	As per the transaction, bank has debited Account of holder with Rs 120 and this was also credited in the Cash Book on June 30. Therefore, there is no need to make any adjustment.	No Treatment

Example 5 Prepare Bank Reconciliation Statements of Sushil Kumar from the given information as on January 31, 2013:

- (1) Pass Book showed a credit balance of Rs 18,000.
- (2) On January 29, the bank erroneously credited sum of Rs 1,810.
- (3) Sushil Kumar had paid into the bank on January 28 four cheques of Rs 5,000; 6,500; 4,500 and 3,200, out of these, cheque of Rs 4,500 was credited on February 05, 2013.
- (4) Cheque of Rs 1,520 drawn on the Personal Saving Account was wrongly charged in the Cash Book.
- (5) Cheque issued to creditors for Rs 1,800 was mistakenly entered in the cash column of the Cash Book, same has not been presented to bank till January 31.
- (6) Bank Charges and Commission of Rs 50 have not been recorded in the Cash Book.
- (7) Dividend warrant of Rs 250 was deposited but not credited by the Bank till January 31.
- (8) Deposit side of the Pass Book was under-casted by Rs 1,200.
- (9) Bank has paid Loan installment of Rs 2,500 as per the standing instructions.

Solution

Bank Reconciliation Statement <i>as on January 31, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Credit Balance as per the Pass Book		18,000
<i>Add:</i> Transaction that have increased the balance of Other Book (ie Cash Book)		
(3) Sushil Kumar had paid into the bank on January 28 four cheques out of which, a cheque of Rs 4,500 was credited on February 05, 2013.	4,500	
(6) Bank Charges and Commission of Rs 50 have not been recorded in the Cash Book	50	
(7) Dividend warrant of Rs 250 was deposited but not credited by the Bank till January 31	250	
(8) Deposit side of the Pass Book was undercasted by Rs 1,200	1,200	
(9) Bank has paid Loan instalment of Rs 2,500 as per the standing instructions	2,500	8,500

Less: Transactions that have caused reduction in the Balance of Other Book (ie Cash Book)		
(2) Bank erroneously credited sum of Rs 1,810	1,810	
(4) Cheque of Rs 1,520 drawn on the Personal Saving Account was wrongly charged in the Cash Book	1,520	3,330
Closing Balance of Pass Book		23,170

Note: Adjustment no 5 is not affecting our Cash Book and Pass Book therefore it is not considered in the BRS.

Important Adjustments to be considered:

No	Adjustment	Effect of Adjustment	How to show this in BRS
(4)	Cheque of Rs 1,520 drawn on the Personal Saving Account was wrongly charged in the Cash Book	As per the transaction, cheque of Rs 1,520 was drawn on Personal Saving Account but it was wrongly credited in the Cash Book. Due to this, Cash Book balance fall short of Pass Book balance by Rs 1,520.	So in this case, we will reduce Pass Book (<i>Given Book</i>) Balance by Rs 1,520. Therefore, we will show this as deduction.
(5)	Cheque issued to creditors for Rs 1,800 was through mistake entered in the cash column of the Cash Book, same has not been presented to bank till January 31.	As per the transaction, cheque of Rs 1,800 was issued to creditors but wrongly credited in the Cash column of the Cash Book. Also these cheques were not presented to bank by creditors till January 31. Therefore, there is no need to make any adjustment.	No Treatment

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Unfavourable (or Overdraft) Balance as per Pass Book and Examples

Objectives

After going through this lesson, you shall be able to understand how to prepare Bank Reconciliation Statements when **unfavourable (or overdraft) balance as per Pass Book** is given.

Introduction

Unfavourable Balance as per Pass Book means Debit balance of Account holder in the Pass Book. In other words, when Debit side of the Pass Book is more than its Credit side, then the balancing figure shown reflects Debit Balance (or Overdraft Balance or Unfavourable Balance) of Pass Book. This can be diagrammatically presented in the following figure.

On a given date, we compare the Pass Book balance with the Cash Book balance and in case there is any mismatch between the two books balances then we prepare Bank Reconciliation Statement on that date. This Bank Reconciliation Statement helps in reconciling the two books balances.

Preparation of Bank Reconciliation statements when Unfavourable balance as per Pass Book is given:

Example 1 Prepare Bank Reconciliation Statement of Dabbu Singh from the given information as on October 31, 2013:

- (1) Debit Balance as per Pass Book 22,000.
- (2) Cheque of Rs 3,500 was deposited in Bank on Oct.30, 2013 but it was credited by the Bank only on Nov.03, 2013.
- (3) Payment by Cheque of Rs 2,500 has been recorded twice in the Cash Book.
- (4) Bank credited Rs 750 to Dabbu Singh by mistake.
- (5) Bill of Exchange of Rs 1,200 discounted with bank was dishonoured on Oct. 29, 2013, no entry for this has been made in the books of Dabbu Singh.
- (6) Cheques issued upto Oct.31, 2013 but not presented for payment upto that date totaled Rs 3,650.
- (7) Bank charges of Rs 250 had not been recorded in the Cash Book.
- (8) Withdrawal Column of Pass Book was undercasted by Rs 600.
- (9) On Oct.26, 2013 bank credited Rs 2,050 as receipt from the customers of Dabbu Singh, but Dabbu Singh was unaware about the deposit till Oct.31, 2013.

Solution

Bank Reconciliation Statement		
<i>as on October 31, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Debit Balance as per Pass Book		22,000
<i>Add:</i>		
(3) Payment by cheque recorded twice in the cash book	2,500	
(4) Bank credited Rs 750 by mistake	750	
(6) Cheque issued but not presented for payment till Oct.31, 2013	3,650	
(8) Withdrawal Column of Pass Book was undercasted	600	
(9) Bank credited Rs 2,050 as receipt from the customers but advice has not been received from Dabbu Singh till Oct.31, 2013	2,050	9,550
<i>Less:</i>		
(2) Cheque deposited on Oct. 30 but not credited till Oct.31, 2013	3,500	
(5) Bill of Exchange discounted with bank was dishonoured but no entry made in the Cash Book	1,200	

(7) Bank Charges not recorded in the Cash Book	250	4,950
Closing Balance of Cash Book		26,600

Example 2 Prepare Bank Reconciliation Statement of Suresh Garg from the following particulars as on December 31, 2013 :

- (1) Overdraft as per Pass Book 15,500.
- (2) Payment side of the Cash Book was undercasted by Rs 1,050.
- (3) Cheque of Rs 1,850 issued but not considered in the Bank Column.
- (4) One of the Debtors directly deposited Rs 1,620 in the Bank but same was not recorded in the Cash Book.
- (5) On March 25, 2013 Debit balance of Cash Book of Rs 1,260 on the previous day was brought forwarded as the Credit Balance.
- (6) Interest on Overdraft amounting Rs 1,200 is entered in the Pass Book only.
- (7) Interest of Rs 250 collected by the Bank and Subscription of Rs 150 paid by bank was not recorded in the Cash Book.
- (8) Withdrawal Column of Pass Book was overcasted by Rs 1,000.
- (9) Out of the total cheques deposited amounting Rs 4,560, cheques aggregating Rs 1,780 were encashed after March 31, 2013.

Solution

Bank Reconciliation Statement <i>as on December 31, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Overdraft Balance as per Pass Book (Dr.)		15,500
<i>Add:</i>		
(4) One of the Debtors directly deposited Rs 1,620 in the Bank but same was not recorded in the Cash Book	1,620	
(5) Debit balance of the Cash Book of Rs 2,520 on the previous day was brought forwarded as the credit balance.	2,520	
(7) Interest of Rs 250 collected by the Bank and Subscription of Rs 150 paid by bank was not recorded in the Cash Book (250 – 150)	100	4,240

Less:		
(2) Payment side of the Cash Book was undercasted by Rs 1,050	1,050	
(3) Cheque of Rs 1,850 issued but not considered in the Bank Column	1,850	
(6) Interest on Overdraft amounting Rs 1,200 is entered in the Pass Book only	1,200	
(8) Withdrawal Column of Pass Book was overcasted by Rs 1,000	1,000	
(9) Total cheques deposited amounting Rs 4,560, cheques aggregating Rs 1,780 were encashed after March 31, 2013	1,780	6,880
Closing Balance of Cash Book		12,860

Example 3 From the following information, prepare Bank Reconciliation Statement of Jolly Singh as on January 31, 2013.

- (1) Pass Book showed an Overdraft balance of Rs 19,200.
- (2) As per instructions Bank honoured one bill of Rs 1,200 but it is not recorded in the Cash Book.
- (3) Credit transfer of Rs 1,060 not recorded in the Cash Book.
- (4) Cheque drawn on the Jolly Singh's Personal Saving Account of Rs 1,110 was wrongly shown in the Cash Book.
- (5) Dividend warrant of Rs 800 was deposited but not credited by the bank till the end of the month.
- (6) Cheque of Rs 1,450 was entered on the Debit side of Cash Book but omitted to be banked.
- (7) Receipt of Rs 1,600 recorded twice in the Cash Book.
- (8) Cheque of Rs 2,800 paid into Bank but wrongly debited in the Pass Book.
- (9) Jolly Singh withdrew Rs 3,200 from the bank for his personal use, but it was only recorded in the Cash Book.

Solution

Bank Reconciliation Statement <i>as on January 31, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Overdraft Balance as per the Pass Book (Dr.)		19,200
<i>Add:</i>		
(3) Credit transfer not recorded in the Cash Book	1,060	

(4) Cheque drawn on the Jolly Singh's Personal Saving Account was wrongly shown in the Cash Book	1,110	
(9) Jolly Singh withdrew Rs 3,200 from the bank for his personal use, but it was recorded in the Cash Book	3,200	5,370
Less:		
(2) As per instructions Bank honoured one Bill of Rs 1,200 but it is not recorded in the Cash Book	1,200	
(5) Dividend warrant of Rs 800 was deposited but not credited by the bank till the end of the month.	800	
(6) Cheque of Rs 1,450 was entered in the Cash Book but omitted to be banked	1,450	
(7) Receipt of Rs 1,600 recorded twice in the Cash Book	1,600	
(8) Cheque of Rs 2,800 paid into Bank but wrongly debited in the Pass Book.	5,600	10,650
Closing Balance of Cash Book		13,920

Example 4 From the following information, prepare Bank Reconciliation Statement of Mukul Gulyani as on November 30, 2013.

- (1) Overdraft Balance as per Pass Book 15,470.
- (2) One Cheque of Rs 2,460 was issued but it was returned on some technical grounds.
- (3) Bank erroneously debited Mukul Gulyani Account by Rs 290.
- (4) Uncredited Cheques amounted to Rs 1,970.
- (5) Cash discount allowed of Rs 450 was recorded as Rs 540 in the Bank column.
- (6) A cash deposit of Rs 780 was recorded in the Cash Book as if there is no Bank column therein.
- (7) A party's cheque of Rs 1,250 has been returned by the Bank remarked "refer to drawer" but no entry has been made in the Cash Book for such an event.
- (8) Cheques amounting Rs 5,050 deposited in the bank but bank has collected Rs 2,460 only.
- (9) Debtor's cheque of Rs 1,090 was dishonoured and not reflected in the Cash Book.

Solution

Bank Reconciliation Statement <i>as on November 30, 2013</i>

Particulars	Amount (Rs)	Amount (Rs)
Overdraft Balance as per Pass Book		15,470
<i>Add:</i>		
(2) One Cheque of Rs 2,460 was issued but it was returned on some technical grounds.	2,460	
(3) Cheque for Rs 1,200 was returned dishonoured by the bank and was debited in the Pass Book only	1,200	
(6) Cash deposit of Rs 780 was recorded in the Cash Book as if there is no Bank column therein.	780	4,440
<i>Less:</i>		
(3) Bank erroneously debited Mukul Gulyani Account	290	
(4) Uncredited Cheques	1,970	
(5) Cash discount of Rs 540 wrongly recorded in the bank column	540	
(7) A party's cheque of Rs 1,250 has been returned by the Bank remarked "refer to drawer" but no entry has been made in the Cash Book for such an event	1,250	
(8) Cheques amounting Rs 5,050 deposited in the bank but bank has collected Rs 2,460 only (5,050 – 2,460)	2,590	
(9) Debtor's Cheque of Rs 1,090 was dishonoured and not reflected in the Cash Book	1,090	7,730
Closing Balance of Cash Book		12,180

Example 5 Prepare Bank Reconciliation Statement of Vikrant from the given information as on March 31, 2013:

- (1) Pass Book showed an overdraft balance of Rs 17,600.
- (2) Cash Sales of Rs 4,020 wrongly recorded in the Bank column of Cash Book.
- (3) Cheque of Rs 2,800 issued and cashed but omitted to be recorded in the Cash Book.
- (4) A cheque of Rs 2,420 was directly deposited in the Bank.
- (5) Bills for Collection collected by the bank and credited to Vikrant Account Rs 2,500.
- (6) Bank paid house tax Rs 750 on behalf of Vikrant but no information was received from the Bank.

- (7) Deposit side of the Pass Book was overcasted by Rs 1,470.
- (8) Bank wrongly debited Vikrant Account by Rs 360.
- (9) Transport subsidy of Rs 5,000 received from State Government directly by bank but not advised to Vikrant.

Solution

Bank Reconciliation Statement		
<i>as on March 31, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Overdraft Balance as per Pass Book		17,600
<i>Add:</i>		
(4) A cheque was directly deposited in bank	2,420	
(5) Bills for Collection collected by the bank and credited to Vikrant Account Rs 2,500	2,500	
(7) Deposit side of the Pass Book was over-casted by Rs 1,470	1,470	
(9) Transport subsidy of Rs 5,000 received from State Government directly by bank but not advised to Vikrant	5,000	11,390
<i>Less:</i>		
(2) Cash Sales wrongly recorded in the bank column of the Cash Book	4,020	
(3) Cheque of Rs 2,800 issued and cashed but omitted to be recorded in the Cash Book	2,800	
(6) Bank paid house tax Rs 750 on behalf of Vikrant but no information was received from the Bank	750	
(8) Wrong debit by bank	360	7,930
Closing Balance of Cash Book		21,060

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Preparation of Adjusted Cash Book

Objectives

After going through this lesson, you shall be able to understand the following concepts.

- Preparation of BRS when transactions that cause difference between Cash Book and Pass Book are given
- Preparation of BRS when two Bank Accounts of the same person are given
- Preparation of BRS when extracts of Cash Book and Pass Book are given

Introduction

Till now, we have covered preparation of Bank Reconciliation Statement when different Book Balances are given such as Debit/Credit Balance of Cash Book and Debit/Credit Balance of the Pass Book. Here, we will study how to prepare Bank Reconciliation Statement from Adjusted Cash Book Balance, when two Bank Accounts of same customer are given and when copy of Account of Cash Book and the Pass Book are given.

Preparation of BRS when transactions that cause difference between Cash Book and Pass Book are given

Sometimes we are required to prepare Bank Reconciliation Statement after adjusting Cash Book balances. For this, we have to first correct the given Cash Book Balances from the disagreements. These disagreements are in the form of certain bank entries not recorded in the Cash Book such as Bank Interest, Bank Charges, Dividend / Interest collected by bank, etc. Further, Cash Book balance should also be corrected from certain errors committed in the Cash Book itself such as Overcasting / Undercasting of the debit/credit side of the Cash Book. Cash Book Balance obtained after adjusting such errors is known as *Adjusted Cash Book Balance*. This Adjusted Cash Book Balance is taken as base for preparation of Bank Reconciliation Statement.

Let's understand the above concept with the help of an example:

Example 1 Comparing Rathoure Trader's Cash Book with his Bank Statement for the month of June 30, 2013 following points were identified:

- (1) Debit Balance as per Bank Column of Cash Book Rs 18,000.
- (2) Bank has credited dividend of Rs 500 not yet entered in the Cash Book.
- (3) Credit side of the bank column of the Cash Book was undercasted with Rs 1,200.
- (4) Bank Charged interest of Rs 700 and Bank Charges of Rs 250.
- (5) Vikram, one of the customers directly deposited cash of Rs 1,050 in the Bank Account.
- (6) Cheque of Rs 2,560 issued to creditors but only cheques of Rs 1,090 were cleared till date.
- (7) Cheques amounting Rs 1,820 deposited in the bank and duly credited but while recording it is debited in the Cash Book with Rs 1,280.
- (8) Bank wrongly debited Rathoure Traders Account with Rs 660.

Pass necessary entries in the Cash Book and thereafter, prepare Bank Reconciliation Statement as on June 30, 2013.

Solution

Cash Book (Bank Column)					
Dr.				Cr.	
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013					
(1)	Balance b/d	18,000	(4)	Bank Charges	700
(2)	Dividend Received	500	(4)	Bank Interest	250

(5)	Vikram	1,050	(3)	Credit side is undercasted	1,200
(7)	Error in recording the amount (1,820 – 1,280)	540		Balance c/d	17,940
		20,090			20,090

Bank Reconciliation Statement <i>as on June 30, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (adjusted or corrected)		17,940
<i>Add:</i> Transaction that have increased the balance of Other Book (<i>i.e.</i> Pass Book)		
(6) Cheque issued but not yet presented for payment (2,560 – 1,090)	1,470	1,470
<i>Less:</i> Transactions which reduced the balance of Other Book (<i>i.e.</i> Pass Book)		
(8) Wrong debit in the Pass Book	660	660
Closing Balance of Pass Book		18,750

Preparation of BRS when two Bank Accounts of the same person are given:

Sometimes there are two Bank Accounts maintained by a person in the same bank. In such cases, each of the Account is denoted by a separate account number. When there are two accounts of the same person in the same bank it may cause errors like transaction of one account is posted in the other account. Therefore, to rectify these errors firstly we need to prepare corrected Cash Book balance of that particular account. Corrected Cash Book Balance will be prepared in the same manner as discussed above. After obtaining corrected Cash Book balance of a Particular Account, we prepare its Bank Reconciliation Statement.

Example 2 Sir Desai's Cash Book Balance of Account No 1 is not tallying with its Pass Book Balance on June 30, 2013. Following points were noticed in this regard:

(1) Debit Balance of the Cash Book of Account No 1 Rs 15,450.

(2) Cheque of Rs 2,820 was issued on Account No 1 but out of these cheque amounting Rs 1,450 were presented on May 10, 2013.

(3) Debit side of Cash Book of Account No 1 was overcasted by Rs 1,260.

(4) Dividend of Rs 550 was paid directly into Account No 2.

(5) Bank Charges of Rs 250 and Rs 325 were charged to Account No 1 and Account No 2 respectively. There is no recording in the Cash Book for this.

(6) Cheque of Rs 1,640 were deposited in Account No 2 and correctly recorded in the Cash Book, but it was wrongly credited by Bank in Account No 1.

(7) Customer's cheque of Rs 970 deposited in Account No 1 was dishonoured but no entry for this is made in the Cash Book.

Solution

Cash Book (Bank Account No 1 Column)					
Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013					
(1)	Balance b/d	15,450	(3)	Overcasting of Cash Book Debit side	1,260
			(5)	Bank Charges A/c	250
			(7)	Dishonour of Cheque	970
				Balance c/d	12,970
		15,450			15,450

Bank Reconciliation Statement		
<i>as on June 30, 2013</i>		
Particulars	Amount (Rs)	Amount (Rs)
Bank Account No 1 Balance as per Cash Book (<i>adjusted or corrected</i>)		12,970
<i>Add:</i> Transaction which have caused increase in the balance of Other Book (<i>i.e.</i> Pass Book)		

(2) Cheque issued but not yet presented for payment (2,820 – 1,450)	1,370	1,370
Less: Transactions reducing Balances of Given Book (i.e. Cash Book)		
(6) Cheque correctly recorded in the Cash Book but wrongly credited by Bank in Account No 2	1,640	1,640
Closing Balance of Pass Book		12,700

Note: Adjustment no (4) regarding dividend received of Rs 550 and adjustment no (5) related to Bank Charges paid of Rs 325 for account no. 2 is not considered. This is because they are related to Account no 2 which is not required in the question.

Preparation of BRS when extracts of Cash Book Account and Pass Book Account is given:

Whenever in the question extracts of Cash Book and Pass Book are given, in such cases, we have to compare these two books. While comparing, we should match items appearing on the Debit Side of the Cash Book with those appearing on the Credit side of Pass Book. On the other hand, items appearing on the Credit Side of the Cash Book should be tallied with those appearing on the Debit Side of the Pass Book. If there is any difference of transactions is found in either of two books then such transaction would be shown in the Bank Reconciliation Statement.

Let's take an example to understand the concept:

Example 3 Cash Book (bank column) and Pass Book of Sanjeevani Ltd for the month of July 2013 is given below:

Cash Book (Bank Column)					
Dr.					Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
July 01	Balance b/d	15,410	July 12	Rinku Singh	450
July 10	Rajesh	1,025	July 19	Mr. Dutt	990
July 15	Mahesh	890	July 22	Priyanka	590
July 25	Shambhu	760	July 31	Balance c/d	17,180
July 28	Nagarjuna	1,125			
		19,210			19,210

Pass Book (Account of Sanjeevani Ltd)					
Dr.					Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
July 15	Rinku Singh	450	July 01	Balance b/d	15,410
July 21	Bank Charges	320	July 12	Rajesh	1,025
July 23	Mr Dutt	990	July 19	Mahesh	890
July 31	Balance c/d	16,725	July 21	Dividend received	450
			July 28	Cash (from debtor)	710
		18,485			18,485

Pass necessary entries to update Cash Book and reconcile the Cash Book with the Bank Pass Book.

Solution

Corrected Cash Book (Bank Column)					
Dr.					Cr.
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
2013			2013		
July 01	Balance b/d	15,410	July 12	Rinku Singh	450

July 10	Rajesh	1,025	July 19	Mr. Dutt	990
July 15	Mahesh	890	July 21	Bank Charges	320
July 21	Dividend Received	450	July 22	Priyanka	590
July 25	Shambhu	760	July 31	Balance c/d	18,020
July 28	Nagarjuna	1,125			
July 28	Cash (from debtor)	710			
		20,370			20,370

Bank Reconciliation Statement

as on July 31, 2013

Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per Cash Book (<i>adjusted or corrected</i>)		18,020
<i>Add:</i> Transaction which have increased the balance of Other Book (<i>i.e.</i> Pass Book)		
Cheque issued to Priyanka but not yet presented for payment	590	590
<i>Less:</i> Transactions which reduced the balance of Other Book (<i>i.e.</i> Pass Book)		
Cheques of Rs 760 and 1,125 of Shambhu and Nagarjuna respectively were deposited but not yet credited (760 + 1,125)	1,885	1,885
Closing Balance of Pass Book		16,725