3. BANK RECONCILIATION STATEMENT

CONCEPT 1 : INTRODUCTION

- Statement (not a part of books of a/c's).
- Prepared to know the reason of balance as per PB (Bank book) & as per CB (Businessman book)

Books

- Pass Book → Available from Bank
- Cash Book (Bank Column) → Prepared by client

CONCEPT 2 : CAUSES OF DIFFERENCE [T.Q.2]

Items recorded by bank but not in Cash Book

1) Bank charges
2) Direct deposit by customer
3) Interest
4) Dividend
5) Dishonour cheque

Items recorded by Cash Book but not in Pass Book

1) Cheque issued but not presented
2) Cheque deposited but not cleared

Errors commited in Cash Book

1) Totalling error
2) Balancing error
3) Double record

Errors commited in Pass Book

1) An item of some other person debited or credited to our account

CONCEPT 3 : WHETHER PASS BOOK & CASH BOOK BALANCE WILL ALWAYS DIFFER

- Definitely not.
- Both the books records same item but should be opposite.
- But, in reality, 2 balances on any particular date may not be same

CONCEPT 4 : DIFFERENCE BETWEEN PASS BOOK & BANK STATEMENT

(Bank maintains customer account)
Normally

- Saving a/c → Pass Book
- Current a/c → Bank statement

Meaning is same

CONCEPT 5 : HOW TO PREPARE BRS BY USING SS METHOD

1] Step 1 : Identify way

PB to CB

Or

CB to PB

2] Step 2 : Identify constant balance & make a box.

Meaning? : Don't make changes in box

PB to $\boxed{\text{CB}}$

CB to $\boxed{\text{PB}}$

3] Step 3 : Make a change in non – box amount & try to get answer of box amount.

4] Step 4 : OD balance. then exceptional problem.

Add answer Will become minus.

Minus answer will become add.

☺ Examples :-

1) Interest allowed By bank

⇨ PB bal. ↑

CB → $\boxed{\text{PB}}$

CB PB

0 $\boxed{100}$

+ 100

Add 100

2) Interest expenses charged by bank.

⇨ PB↓

PB to $\boxed{\text{CB}}$

CB PB

0 -100

+100

Add 100

3) Interest & Dividend collected by bank

⇨ PB bal. ↑

CB → $\boxed{\text{PB}}$

CB PB

0 100

+ 100

Add 100

4) Direct payment by bank

⇨ PB bal. ↓

CB to $\boxed{\text{PB}}$

CB PB

0 $\boxed{-100}$

- 100

Deduct 100

5) Bills collected by bank on behalf of customer

⇨ PB ↑

PB → $\boxed{\text{CB}}$

CB PB

$\boxed{0}$ 100

- 100

Deduct 100

6) Dishonour of bill

⇨ PB ↓

CB → $\boxed{\text{PB}}$

CB PB

0 $\boxed{-100}$

- 100

Deduct 100

7) Cheque issued but not yet presented payment.

⇨ CB ↓

PB to $\boxed{\text{CB}}$

CB PB

$\boxed{-100}$ 0

- 100

Deduct 100

8) Pass Book charges recorded twice in Cash Book

⇨ CB ↓ 2 times, PB ↓ time

CB to $\boxed{\text{PB}}$

CB PB

-200 $\boxed{-100}$

$\boxed{+100}$

Add 100

9) PB Charges recorded twice in PB.

⇨ PB ↓ 2 times, CB ↓ time

PB to $\boxed{\text{CB}}$

CB	PB
$\boxed{-100}$	-200
	+100

Add 100

10) Cheque deposited but not cleared

⇨ CB ↑

CB to $\boxed{\text{PB}}$

CB	PB
100	$\boxed{0}$
-100	

Deduct 100

11) OD :- Cheque directly collected by bank

⇨ PB ↑

CB to $\boxed{\text{PB}}$

CB	PB
0	$\boxed{100}$
+100	

Actually plus 100
But OD

Deduct 100

CONCEPT 6 : GADI GADI PROBLEM

When to use

✈ If amount are given in the problem & starting point is given

E.g. :

1] Normal :

Balance as per PB =Rs 20,000 &Rs.4,000 directly deposited by customer into the bank.
Find balance as per CB

2

3 ↑ → ↓ 1

CB	PB
16,000	16,000
0	+4,000
16,000	20,000

2] OD (Liabilities) :-

Credit balance as per CB = Rs10,000

1) Bank charges Rs150
2) Cheque issued, not presented for payment = Rs2,500

2

1 ↑ → ↓ 3

-7,500	-7,500
CB	PB
0	-150
-2,500	0
-10,000	-7,650

3] OD as per PB =Rs20,000

a) Rs500 prem. Paid by bank.

b) Rs2,000 collected by bank.

OD as per CB =

		2		
3	-21,500		-21,500	1
	CB		PB	
	0		-500	
	0		+2,000	
	-21,500		-20,000	

4] OD as per PB = Rs20,500

a) Bank charge Rs300

b) Bank int. Rs200

		2		
3	-20,000		-20,000	
	CB		PB	
	0		-300	1
	0		-200	
	-20,000		-20,500	

5] CB OD = Rs.18,000 as on 31.12

a) Paid into bank cheque Rs.6,000 & Rs.8,000 of these, cheque Rs.6,000 credited by bank on 6th Jan.

b) Issued cheque of Rs.35,000 of this, Rs.27,000 had been presented and paid.

		2		
	3,000		3,000	
	CB		PB	
1	6,000		8,000	
	8,000			3
	-35,000		-27,000	
	-18,000		-16,000	

6] Bank pass book OD Rs.10,430

Cheque issued - Rs.30,450,

only 23,700 presented

		2		
	13,270		13,270	
	CB		PB	
3	-30,450		-23,700	1
	-17,180		-10,430	

7] Balance as per CB = Rs.5,000

Cheque issued not presented = Rs.2,000

Cheque for coll. = Rs.1,500

Bank wrongly debited = Rs.20

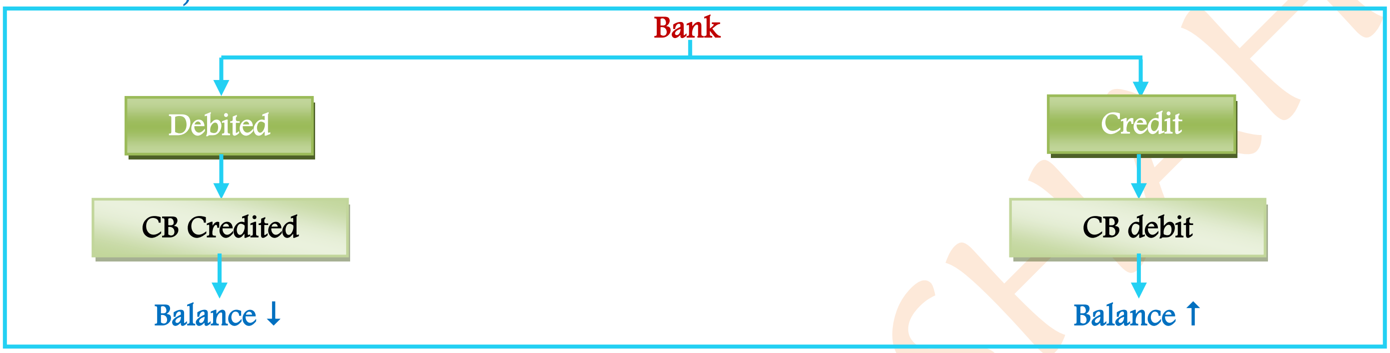
		2		
	5,500		5,500	
	CB		PB	
1	-20,000			
	1,500		0	3
	0		-20	
	5,000		5,480	

8] Credit bal. - Rs.2,000 in the bank column of CB was carried forward as Dr. bal. when OD as per PB is starting point

PB →	$\boxed{\text{CB}}$
CB	PB
$\boxed{2000}$	-2000
	+4,000

CB →	PB
2,000	-2,000

OD Prob. -4,000



9] CB OD = Rs.1,500

- Cheque Rs.100, Rs.50, Rs.125 not presented for payment
- Rs.400 Cheque Not cleared.
- PB OD = ?

1 ↑ 2 → 3 ↓

CB	PB
-1625	-1625
-275	0
400	0
-1,500	-1,625

10] Payment side of CB is under cast by Rs.250

Start → PB OD

CB → PB		PB →	$\boxed{\text{CB}}$
		CB	PB
$\boxed{-(-250)}$	0	- 750	-1000
	+250	But OD -250	

11] Receipt side overcast by Rs.700

PB --- OD

PB to $\boxed{\text{CB}}$

CB	PB
$\boxed{1700}$	1000
	+700

But OD - 700

CONCEPT 7 : BANK RECONCILATION STATEMENT [T.Q.1]

✈ BRS is given & asked to find out balance as per CB or PB

Identify entries related to

- **BRS** → CB Bank column will not affect
- **Adjusted CB** → CB bank column will affect same side – add & opp. side - less

1] BRS :

Sr. No	Particulars	Dr. (Rs)	Cr. (Rs)
1)	Balance as per CB	22,575	
2)	Cheque deposited but not cleared		50,000
3)	Cheque issued but not paid	30,000	
4)	Balance as per PB		2,575
	Total Rs	52,575	52,575

Bank Balance as per CB = ?

⇨ No rectification entry no adjusted cash book.
Debit balance as per CB = Rs22,575

2]

Sr. No	Particulars	Dr. (Rs)	Cr. (Rs)
a)	Balance as per CB		13,000
b)	Cheque deposited not cleared		40,000
c)	Cheque issued not presented	60,000	
d)	Bank charges by bank [adj CB]		1,000
e)	Balance as per PB		6,000
	Total Rs	60,000	60,000

⇨ OD Balance :
13,000 + 1,000 = Rs14,000

3]

Sr. No	Particulars	Dr. (Rs)	Cr. (Rs)
a)	Bank bal. as per CB	20,575	
b)	Cheque deposited but not realized		50,000
c)	Cheque issued but not yet presented	30,000	
d)	Interest credited By bank	1,000	
e)	Balance as per PB		1,575
	Total Rs	51,575	51,575

Ans. : 21,575 – Deposit (asset)

CONCEPT 8 : CASH BOOK

- **Favourable CB** → Normal Problem / BRS →
  - Cash Book ✓
  - Pass Book ✗
  - Cash bal — Cash
- **Unfavourable CB** → OD Problem / Adj. cash Book →
  - Cash book ✓
  - Pass Book ✗
  - Cash Book wrong