

## **BANK RECONCILIATION STATEMENT**

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BRS is a statement which is prepared to reconcile the bank balance as per cash book with the balance as per bank pass book and shows those entries that caused the differences between the two balances at a particular point of time.

### **CASH BOOK**

It is a type of subsidiary book which records only cash and bank transactions in chronological order.

All receipts in cash and Cheque are recorded on the debit side, whereas all payments in cash and cheque are recorded on the credit side of the cash book.

### **BANK PASS BOOK**

All the banks maintain an account of the account holder in their books. In the account, all the deposits by the account holder are recorded on the credit side and withdrawals on the debit side of the account.

A copy of such account it is given to the account holder in the form of Statement or Pass Book.

## **REASONS FOR DIFFERENCE BETWEEN BANK BALANCES AS PER CASH BOOK AND BANK STATEMENT OR BANK PASS BOOK**

### **TRANSACTIONS RECORDED BY THE BANK**

#### **Interest credited by the bank**

Bank gives interest on the amount deposited by the account holder and credits the account holder's account periodically. However, the account holder records it only when she/he has realised or comes across the information about the interest allowed by the bank. Thus, the balance of an account holder increases by this amount in the books of the bank.

#### **Interest and dividends collected by the bank**

Bank may be assigned the task to collect interest and dividends on behalf of the account holder and credits the same to account holder's account. But the account holder records it only when she/he receives the bank statement. Hence, the balance as per bank pass book will be higher than the balance as per cash book for the time being.

#### **Bank charges and interest charged by the bank**

Bank renders certain services to its customers for which it charges an amount known as bank charges or service charges. Also, bank do charges interest for providing overdraft facilities. Bank debits the account holder's account in its book with the required amount in form of interest or bank charges. However, the account holder realises the same only when she/he receives the bank statement. Hence, the balance as per bank pass book will be lesser than the balance as per cash book for the time being.

### **Direct deposit into bank by a customer**

sometimes the customers and clients may directly deposit their dues to the bank account. The amount that will be received by the bank will be credited to the account holder's account by bank. But the account holder will come to know only when she/he receives the bank statement. Hence, the balance as per bank pass book will be higher than the balance as per cash book for the time being.

### **Direct payments by the bank**

It is payment made by the bank against the standing instruction by the account holder to the bank for making payments to his clients, vendors or any one on his/her behalf. The bank will debit the account holder's account for making payments on his/her behalf. However, the account holder will realise it only when she/he receives the bank statement. Hence, the balance as per bank pass book will be lesser than the balance as per cash book for time being.

### **Dishonour of a bill discounted with the bank**

There are chances that the bank does not receive payment against bills of exchange or promissory notes discount by it. In such cases, bank debits the account holder's account along with the charges incurred by it. But the account holder comes to know about the fact of dishonor only when she/he receives the bank statement. Hence, the balance as per cash book will be higher than the balance as per bank pass book for the time being.

### **TIMING DIFFERENCES**

There is always some difference of time while the transactions are being recorded by bank in its records and further by the business entity in its records or vice versa.

#### **Cheques deposited in the bank but not yet cleared**

The cheques received from customers, vendors or elsewhere, are recorded in the cash book the same day we deposit it in the. However, the bank credits the account holder's account only when it receives the payment from the other bank. Hence, there is a time gap between the deposit of cheques and the credit given by the bank. Thus, the bank balances will always differ at any point of time between these two dates.

#### **Cheques issued but not yet presented for payment**

When a cheque issued for payment bank records the entry only when the cheque is presented to them for payment. But in Cash book cheques are recorded without any delay. Hence, there is a time gap between the entry made in the cash book and the one made in the bank pass book and due to this time gap differences arises.

#### **ERRORS COMMITTED BY THE BANK OR ACCOUNT HOLDER**

There are always the chances for some errors or omissions to occur on both the sides, either by the bank or account holder.

For example, a cheque of `40,000 deposited in the bank is recorded as 3,000 or 3, 00,00 in the cash book.

Cash Book with Debit Balance



***The table below shows some of these items which are added to or deducted from the Cash Book debit balance in order to arrive at the Bank Statement or Bank Pass Book balance.***

	Cashbook Dr (CA)	Cashbook Cr (OD)	Passbook Cr (CA)	Passbook Dr (OD)
Cheques/ cash/ any instrument deposited but not credited yet or dishonoured	(-)	(+)	(+)	(-)
Cheque issued but not presented or dishonoured	(+)	(-)	(-)	(+)
Direct Debits on Part of Bank	(-)	(+)	(+)	(-)
Direct Credits on Part of Bank	(+)	(-)	(-)	(+)



**Format**
**Bank Reconciliation Statement as on -----**

Particulars	Amount ₹	Amount ₹
Balance as per cash book (favourable balance)		XXX
<b>Add:</b>		
1. Cheques issued but not presented	XXX	
2. Credits in the pass book only		
(a) Interest credited in bank statement	XXX	
(b) Dividend and other income	XXX	
(c) Direct deposit by a party	XXX	
3. Any error in cash book/ bank statement which has the effect of increasing the balance as per bank statement	XXX	XXX
<b>Less:</b>		XXX
1. Cheques deposited but not credited	XXX	
2. Cheques dishonoured but not entered in cash book	XXX	
3. Debits in bank statement only		
(a) Interest debited	XXX	
(b) Insurance premium, loan instalment, etc., paid as per standing instructions	XXX	
(c) Direct payment by banker	XXX	
4. Any error in cash book/ bank statement which has the effect of decreasing the balance as per bank statement	XXX	XXX
Balance as per bank statement		XXX