

Bank Reconciliation

STATEMENT

- BRS is a statement which is **prepared for reconciling the difference** between balances as per cash book's bank column and passbook on a given date.
- **It's not compulsory to prepare a BRS** and there's no fixed date for preparing BRS.
- BRS is **prepared on a periodical basis** for checking that bank related transactions are recorded properly in cash book's bank column and also by the bank in their books.
- BRS **helps to detect errors** in recording transactions and determining the exact bank balance as on a specified date.
- Only those entries which are creating a difference are mentioned in BRS.

CAUSES FOR CASHBOOK AND PASSBOOK DIFFERENCE

CHEQUES ISSUED BY THE FIRM but the entry is not reflected in the passbook or bank's statement due to non-presentation, dishonour of the cheque

CHEQUE DEPOSITED but cheque may not be collected yet or credited to some other account mistakenly or amount credited is not correct.

BANK CHARGES: For collection of outstation cheques, payments made as per the standing instructions, issue of cheque books, the bank will debit customer's account.

INTEREST ON OVERDRAFT: The banker debits the customer's account for the interest on an overdrawn balance.

DIRECT PAYMENTS INTO THE BANK MADE BY TRADER'S CUSTOMERS OR OTHER DIRECT PAYMENTS IN THE ACCOUNT

DISHONOUR OF A CHEQUE: On dishonour of a cheque deposited by the trader, the bank will debit the customer's account.

	CASH BOOK	PASSBOOK OR BANKS' STATEMENT
DEBIT BALANCE	Dr Balance in the cashbook shows firm has its funds lying in the current account.	Dr Balance in passbook shows bank has an asset i.e. loan/ overdraft to the firm. And bank is to recover that amount.
CREDIT BALANCE	Cr balance shows firm is having funds overdrawn and is availing overdraft facility. Firm is liable to pay that amount.	Cr Balance shows that bank is having liability i.e. bank is obligated to pay back the deposited amount in the account to the firm.

Both passbook and cashbook show opposite balances i.e. the asset of one party is liability for other and vice versa.

TRANSACTION NATURE

1. Debit the Bank Account in Cash Book by the firm: deposition of cheque or deposited money in the bank account.
2. Credit the Bank Account in Cash Book by the firm: Cheque issued to the party
3. Debit the firm's account in Pass Book by the Bank: Direct Debits like incidental charges, standing instructions, interest on overdraft etc
4. Credit the firm's account in Pass Book by the Bank: direct deposit of money by firm's party, payment of dividend or interest.

Bank Reconciliation Date		
Particulars	Plus	Minus

--	--	--

BRS TABLE

	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	(+)	(-)	(-)	(+)

Q1: Bank head balance shown by cash book is 10000. Cheques drawn of Rs 1000 but not presented. Cheque deposited into bank but not presented Rs 800. Service charges of Rs 300 debited for incidental charges. What will be the balance as per Passbook?

10000

+1000

-800

-300

Q2: A cheque of Rs.540 deposited with the bank was entered in the cash book. Bank paid a subscription of Rs. 200. The balance in the passbook is Rs.23400. What will be the balance as per cash book?

23400

+200

-540

Q3: Balance in the cash book is Rs.12000. A cheque of Rs.1000 deposited with the bank has been dishonored and bank has debited Rs.20 as cheque returning charges. The balance in the pass book should be?

12000

-1000

-20

Q4: The bank statement has been showing a balance of Rs.31200 overdraft. It is observed that a cheque issued by the firm for Rs.2000 has been dishonored by bank and charges of Rs.20 have been recovered. What will be balance in the cash book?

Q5: The balance in the current account of the firm at bank is Rs.56219. It is observed that bank has credited a dividend amount of Rs.320. Out of total cheques of Rs.12000 issued by the firm cheques of Rs.9000 have been paid. What is the balance in cash book?