

Bank Reconciliation Statement**Introduction:-**

Banks are essential institutions in a modern society. A bank accepts deposits in various forms from the public and also lends funds to needy public. The money which is idle for the public is deposited by the public in bank and bank lends this money to needy people. In this way bank performs function of “middle man”

Apart from receiving deposits from and handling cash transactions on behalf of its customers, the bank also renders some other useful services as indicated below:

- (i) The bank discounts promissory notes or hundies, i.e., it enables a customer to receive the cash before the due date in consideration of a small charge called discount.
- (ii) The bank allows overdraft to its good customers so that they can make payments even when they do not have sufficient balance at the bank. The overdraft must be cleared later by the customer.
- (iii) The bank gives loans for a year or so, to its customers so that they can continue their operations. Such financial assistance is of great help for business.
- (iv) The bank on behalf of the customer collects the amount of dividend warrants or interest on securities etc.
- (v) On instruction of the customer, the bank makes payments of insurance premium, rent etc. on the due dates.
- (vi) The bank sells and purchases shares, debentures or government securities on behalf of its customers.
- (vii) Money can be remitted too another place or persons through the bank at a low cost.
- (viii) The bank in return, for a consideration, furnishes security or guarantee for its customers whose credit is good.
- (ix) The bank also issues letter of credit of traveller’s cheque to facilitate commerce or travel.

“Bank Reconciliation Statement” is prepared by Account holder

Cash Book:-

It is a type of subsidiaries book which is prepared by the Customer (Business man). It records all types of “Cash and Bank” transactions done by the customer. When Triple Column Cash Book is prepared in this case “in Bank column of Cash book” all type of receipts and payment of Bank related transactions are recorded.

Pass Book:-

The bank either sends periodical statements of account or gives a Pass-Book to its customer in which all Deposits and Withdrawals made by the customer during the particular period is recorded. Both represent almost a copy of the Ledger account of the customer in the books of the bank.

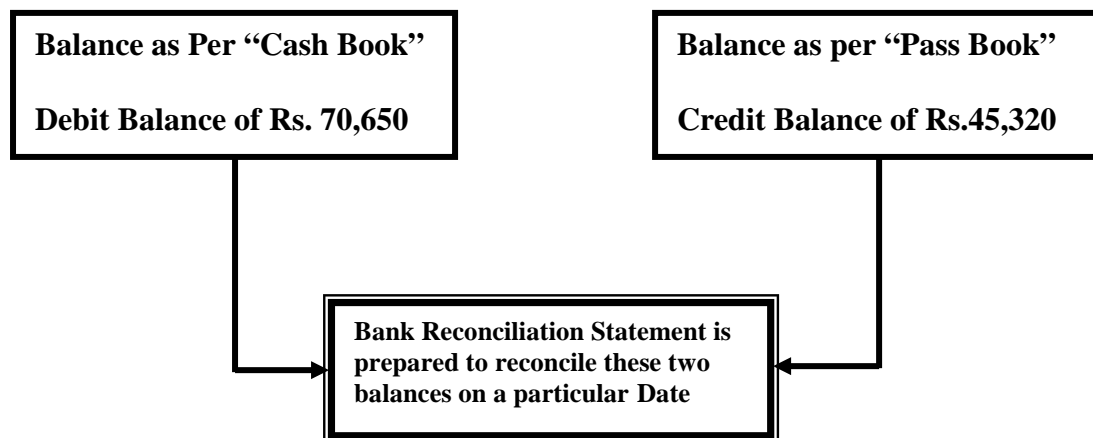
It is customer duty to check the entries and immediately inform the bank of any error if he may notice. So Entries made in Pass Book is the evidence of transactions held in bank account of customer.

Format of Pass Book:-

Date	Particular	Withdrawals (Payment) Dr.	Deposits (Receipt) Cr.	Dr. or Cr.	Balance

Meaning of Bank Reconciliation Statement:-

It is a statement prepared on a Particular date to reconcile the bank balance in the cash book with the balance as per the “Bank Pass Book” or Bank Statement by showing reasons of difference between the two.



On the particular Date Balance of Bank Column of Cash book should to equal to Balance of Pass Book or Bank Statement. But most of Cases these two balance are not same. So Bank Reconciliation Statement is prepared to reconcile these two balances

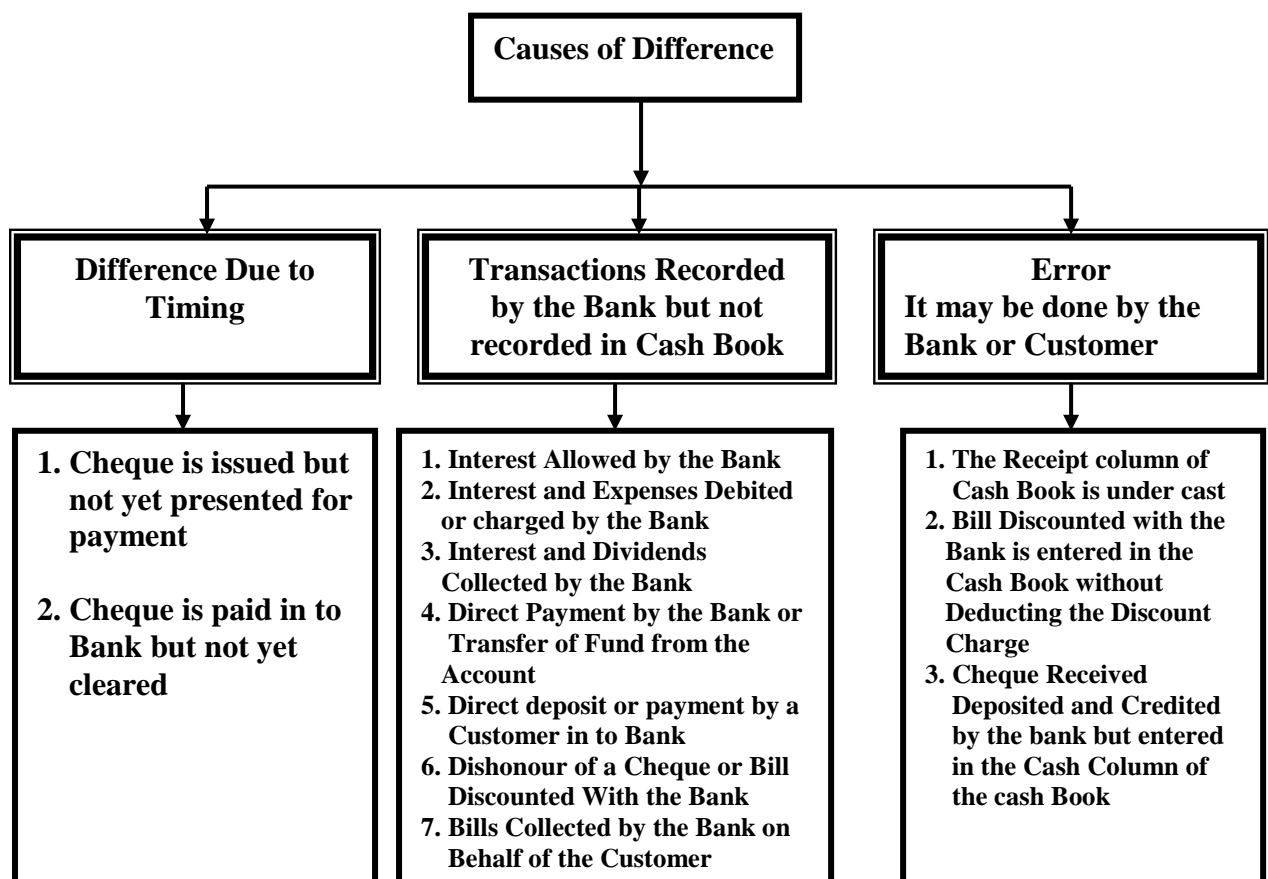
Importance of Bank Reconciliation Statement:-

Bank Reconciliation Statement is a very important tool for internal control of cash flows. It helps in detecting errors, frauds and irregularity occurred, if any, at the time of passing entries in the Cash book or in the Pass book, whether intentionally or unintentionally.

Frauds can be detected by the preparing “Bank Reconciliation Statement”. Hence it works as an important mechanism of internal control. **Following are the salient features of “Bank Reconciliation Statement”.**

- (i) The reconciliation will bring out any errors that may have been committed either in the cash book or in the pass book.
- (ii) Any undue delay in the clearance of cheques will be shown up by the reconciliation;
- (iii) A regular reconciliation discourages the staff of the customer or even that of the bank from embezzlement. There have been many cases when the cashiers merely made entries in the cash book but never deposited the cash in the bank; they were able to get away with it only because of lack of reconciliation.
- (iv) It helps in finding out the actual position of the bank balance.

Reasons or Causes of Difference between Cash book and Pass Book Balance:-

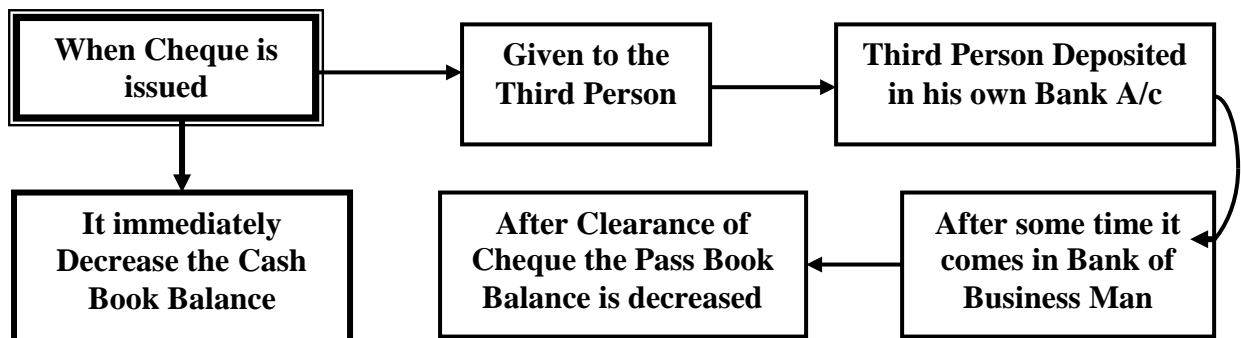


Difference Due to Timing:-

1. Cheque is issued but not yet presented for payment:-

THE PROCEDURE OF CLEARANCE WHEN A CHEQUE IS ISSUED:-

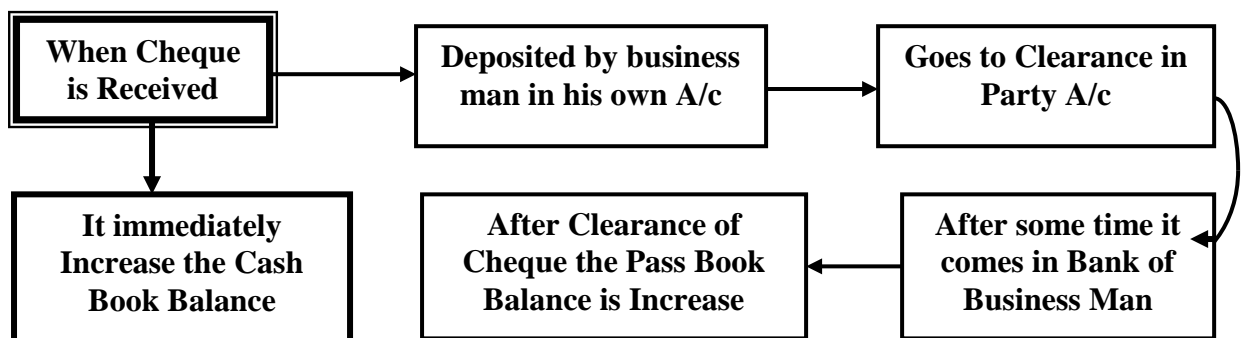
When cheque is issued for any type of payment first of all it is immediately recorded in the Cash Book by the Business man and then it is given to the person, party or the Creditor. After some time the receiver of Cheque deposited it in his account and after some time cheque is cleared or Pass Book balance is decrease.



2. Cheque is paid in to Bank but not yet cleared:-

THE PROCEDURE OF CLEARANCE WHEN A CHEQUE IS RECEIVED:-

When a Cheque is received from any person for the “Income or sales” first of all it is recorded in the Cash book by the business man and then it is deposited in his own A/c and after some time cheque is cleared or Pass Book is increases.



The main reason of difference between balance as per cash and Pass Book:-

- (i) **Cheques issued but not yet presented for payment:** - The entry in the cash book is made immediately in issue of cheque but naturally entry will be made by the bank only when the cheque is presented for payment. There will thus be a gap of some days between the entry in the cash book and in the pass book.
- (ii) **Cheques paid into the bank but not yet cleared:** - As soon as cheques are sent to the bank, entries are made on the debit side of the bank column of the cash book. But usually banks credit the customer's account only when they have received the payment from the bank concerned in other words, when the cheques have been cleared. Again there will be some gap between the depositing of the cheques and the credit given by the bank.
- (iii) **Interest allowed by bank:** - If the bank has allowed interest to the customer's the entry will normally be made in the customer's account and later shown in the pass book. The customer usually comes to know the amount of the interest by pursuing the pass book and only then he makes relevant entry in the cash book.
- (iv) **Interest and expenses charged by the bank:** - Like (iii) above, the interest charged by the bank and the amount of the bank charges are entered in the customer account and later in the pass book. The customer makes the required entries only after he sees the pass book.
- (v) **Interest and dividends collected by the bank:** - Sometimes investments are left with the bank in safe custody; the bank itself sees to it that interest or the dividend is collected on the due dates. Entries are made as indicated in (iii) above.
- (vi) **Direct payment by the bank on behalf of the customer:** - The bank may be given standing instructions for certain payments such as for insurance premium. In this case also, the customer may come to know of the payment only on seeing the pass book. The entries in the pass book and in the cash book may thus be on different dates.
- (vii) **Direct payment into the bank by a third Person (Debtors):** - If such a payment is received by the bank, it will be entered in the customer's account and also in the pass book; the account holder may come to know of the amount only when he sees the pass book.
- (viii) **Dishonour of a bill discounted with the bank:** - If the bank is not to receive payment on promissory notes discounted by it; it will debit the customer's account together with the charges it may have incurred. The will naturally make the entry only when he sees the pass book.
- (ix) **Bills collected by the bank on behalf of the customer:** - If goods are sold, the documents may be sent through the bank. If the bank is able to collect the amount, it will credit the customer's account. The customer may make entry only receiving the pass book.

The effect of Recording of transactions in Cash Book and Pass Book:-

S. No.	Transaction	Time of recording in cash book	Time of recording in pass book
1	Payment done by the account holder through issuing a cheque	At the time of issuing the cheque	At the time presenting the cheque to the bank for payment
2	Receipt by the account holder through a cheque	At the time of depositing the cheque into the bank	At the time of collection of amount from the account of the issuing party.
3	Collection of bills/cheque directly on behalf of the account holder	When the entry is posted in the pass book	When the amount is paid by the bank
4	Direct payment to the third party on behalf of the account holder	When the entry is posted in the pass book	When the amount is paid by the bank
5	Dishonour of cheque/bills receivable	When the entry is posted in the pass book	When the cheque is dishonored
6	Bank charges levied by the bank	When the entry is posted in the pass book	When charges are levied by the bank
7	Interest credited by the bank	When the entry is posted in the pass book	When interest is allowed by the bank
8	Interest debited by the bank	When the entry is posted in the pass book	When interest is charged by the bank.

The need for Bank Reconciliation Statement:-

The need for reconciliation arises only when there are “differences in entries” posted in cash book and Pass Book. It may sometime happen that the balance shown by cash Book and pass Book is same but entries posted do not tally with each other. In this case also there is need to prepare “Bank Reconciliation Statement”

Position of Balance of Cash Book and Pass Book:-

- The original Balance of Bank Column of Cash Book is Debit Balance or Positive Balance.
- The original Balance of Bank Pass Book is Credit Balance or Positive Balance
- The overdraft of Bank Column of Cash Book is Credit Balance or Negative Balance. Unfavorable bank balance means Credit balance in Cash Book
- The overdraft of Bank Pass Book is Debit Balance or Negative Balance.

There is a direct relationship between the item of receipt side and balances of cash book or Pass Book. And there is inverse relationship between the item of payment side and balances of cash book or Pass Book

MCQ	
1. Bank Reconciliation Statement is:	
(a) A Part of Pass Book	(c) A cash book related to Cash Column
(b) A Statement prepared by bank	(d) A statement prepared by customers
2. Bank reconciliation is a statement prepared to reconcile—	
(a) Trial Balance	(c) Bank A/c
(b) Cash book	(d) Bank Column as per Cash Book with bank balance as per pass book or Bank Statement
3. The Bank Reconciliation Statement is prepared	
(a) To rectify the mistakes in the Cash Book	
(b) To arrive at the Bank Balance	
(c) To arrive at the Cash Balance	
(d) To bring out the reasons for the difference between the Balance as per Cash Book and the Balance as per Bank Statement	
4. A Bank Reconciliation Statement is prepared to know the causes for the difference between :	
(a) The balance as per Cash Column of Cash Book and the Pass Book	
(b) The balance as per Bank Column of Cash Book and the Pass Book	
(c) The balance as per Bank Column of Cash Book and balance as per Cash Column of Cash Book	
(d) None	
5. Which of these documents is not required for Bank Reconciliation	
(a) Bank column of Cash Book	(c) Bank Statement
(b) Bank Pass Book	(d) Trial Balance
6. Bank reconciliation statement is a part of —	
(a) Cash book	(c) Auditors report
(b) Trial Balance	(d) None of these
7. A Bank Statement is a copy of —	
(a) Cash column of the Cash book	(c) A Customer's account in the bank's book
(b) Bank column of the Cash book	(d) None of the above
8. Which of the following is not a cause of difference in balance as per cash book and balance as per bank pass book—	
(a) Errors in cash book	(c) Cheques deposited and cleared
(b) Errors in pass book	(d) Cheques issued but not presented for payment
9. Benefits of preparing Bank Reconciliation Statement includes —	
(a) It bring out any errors committed in preparation of Cash book / Bank Pass Book	
(b) Highlights under delay in clearance of cheques deposited but not credited	
(c) Help know actual bank balance	
(d) All the three	
10. Which of these will not affect Bank and Cash balance	
(a) Cash received from X credited to Y	(c) Cheques deposited and cleared on the same date
(b) Cheques issued to A but debited to B	(d) All the three
11. Unfavorable bank balance means:	
(a) Credit balance in Cash Book	(c) Debit balance in Cash Book
(b) Credit balance in Pass Book	(d) Favourable balance in Cash Book
12. Debit balance as per bank pass book mean —	
(a) Surplus cash	(c) Terms deposits with bank
(b) Bank Overdraft	(d) None of these
13. Overdraft as per Cash Book means:	
(a) Credit balance in the Cash Book	(c) Decrease in Liability
(b) Credit balance in the bank column of the cash book	(d) None of these
14. Favourable balance as per Cash Book means:	
(a) Debit balance in the bank column of the	(c) Credit balance in the bank column of the

Cash Book (b) Debit balance in the Pass Book	Cash Book (d) None of these
15. Credit balance in Cash Book means—	
(a) Bank overdraft (b) Bank deposit	(c) FD with Bank (d) Cash embezzlement
16. Bank balance shown in Trial balance:	
(a) Balance as per pass book (b) Balance as per cash book	(c) Balance as per purchase book (d) Both (a) and (b)
17. When Money is withdrawn from bank, the Bank:	
(a) Credits Customers A/c (b) Debits Customer's A/c	(c) Credits and Debits Customer's A/c (d) None of these
18. Which of these types of errors are not detected during Bank Reconciliation :	
(a) Cash embezzlement by cashier (b) Cheques deposited but not credited by bank (c) Casting mistakes in bank column of cash book (d) Interest or Commission charged by the bank not accounted in cash book	
19. Which of the following statements is false?	
(a) Credit side total of Discount column of Cash Book is an income (b) Credit balance of Bank Pass Book is an overdraft (c) Debit balance of Bank column of Cash Book is an Asset (d) Debit balance of Cash column of Cash Book is an Asset	
20. Which of the following is a liability of a firm?	
(a) Debit balance of analytical Petty Cash Book (b) Credit balance of Bank Pass book (c) Debit balance of Bank column of Cash Book (d) Credit balance of Bank column of Cash Book	
21. Debit side of Bank Pass book corresponds to –	
(a) Credit side of Cash Book (b) Debit side of Cash Book	(c) Debit side of Trial Balance (d) Credit side of Balance Sheet
22. Difference in Bank Balance as per Pass Book and Cash Book may arise on account of	
(a) Cheque issued but not presented (b) Cheque issued but dishonoured	(c) Cheque deposited and credited by bank (d) All of (a) and (b) above
23. Which of the following statements is/are true?	
(a) When there are cheques deposited but not collected by the banker, overdraft balance as per Pass Book will be less than that as per Cash Book (b) When the payment side of the Cash Book is under cast, overdraft balance as per Cash Book will be more than overdraft balance as per Pass Book (c) When reconciliation is to be done with the extracts of the Cash Book and Pass Book relating to the same period, the transactions which do not figure in one of the extracts are to be noted (d) Bank interest debited in the Pass Book is to be added to Overdraft Balance as per Pass Book to arrive at the Overdraft balance as per Cash Book	
24. Which of the following statements is false?	
(a) When the bank column of a Cash Book shows a credit balance, it means an amount is due to the bank (b) When Pass Book shows a debit balance, it means overdraft as per Pass Book (c) While preparing Bank Reconciliation Statement, cheques paid into bank but not yet cleared are deducted from the Debit balance as per Cash Book to arrive at the balance as per Pass Book (d) A Bank Reconciliation Statement is a part of Pass Book	
25. Which of the following statements is true?	
(a) Bank charges increase debit balance shown as per Bank Column of the Cash Book. (b) Bank charges increase debit balance as per Bank pass book. (c) A cash sale of a non-trading asset is recorded in the journal proper. (d) Cash discount allowed by the business will appear on the debit side of the debtor's account.	

Answers									
	A	B	C	D		A	B	C	D
1	O	O	O	O	14	O	O	O	O
2	O	O	O	O	15	O	O	O	O
3	O	O	O	O	16	O	O	O	O
4	O	O	O	O	17	O	O	O	O
5	O	O	O	O	18	O	O	O	O
6	O	O	O	O	19	O	O	O	O
7	O	O	O	O	20	O	O	O	O
8	O	O	O	O	21	O	O	O	O
9	O	O	O	O	22	O	O	O	O
10	O	O	O	O	23	O	O	O	O
11	O	O	O	O	24	O	O	O	O
12	O	O	O	O	25	O	O	O	O
13	O	O	O	O					

1.

<u>Cash Book Balance</u> 50,000

<u>Pass Book Balance</u> 50,000

Cheque Issued but not yet presented for payment or Not Debited in Pass Book:-

After this transaction originally Cash Book Balance is Decrease

<u>Cash Book Balance</u> 50,000 (-) 10,000 40,000
--

<u>Pass Book Balance</u> 50,000

If Cash Book balance is taken as Starting point then it is Added

If Pass Book balance is taken as Starting point then it is Deducted

2.

<u>Cash Book Balance</u> 50,000

<u>Pass Book Balance</u> 50,000

Cheque Deposited / paid in to bank / but not yet presented for payment, Cleared or not Credited in Pass Book: - After this transaction originally Cash Book Balance is Increase

<u>Cash Book Balance</u> 50,000 (+) 10,000 60,000
--

<u>Pass Book Balance</u> 50,000

If Cash Book balance is taken as Starting point then it is Deducted

If Pass Book balance is taken as Starting point then it is Added

3.

<u>Cash Book Balance</u> 50,000

<u>Pass Book Balance</u> 50,000

Interest allowed by the bank or Credited by the bank but not recorded in Cash Book: -

After this transaction originally Pass Book Balance is Increase

<u>Cash Book Balance</u> 50,000

<u>Pass Book Balance</u> 50,000 (+) 200 50,200

If Cash Book balance is taken as Starting point then it is Added

If Pass Book balance is taken as Starting point then it is Deducted

4.

<u>Cash Book Balance</u> 50,000

<u>Pass Book Balance</u> 50,000

Bank Charges and Expenses debited by the bank or Interest on Bank Overdraft Charged by the bank but not recorded in Cash Book: - After this transaction originally Pass Book Balance is Decrease

<u>Cash Book Balance</u> 50,000

<u>Pass Book Balance</u> 50,000 (-) 500 49,500

If Cash Book balance is taken as Starting point then it is Deducted

If Pass Book balance is taken as Starting point then it is Added

5.

<u>Cash Book Balance</u>
50,000

<u>Pass Book Balance</u>
50,000

Interest and Dividends Directly Collected by the bank or Credited by the bank but not recorded in Cash Book: - After this transaction originally Pass Book Balance is Increase

<u>Cash Book Balance</u>
50,000

<u>Pass Book Balance</u>
50,000
(+) 1,000
51,000

If Cash Book balance is taken as Starting point then it is **Added**

If Pass Book balance is taken as Starting point then it is **Deducted**

6.

<u>Cash Book Balance</u>
50,000

<u>Pass Book Balance</u>
50,000

Direct Payment / Deposit by the Customer in Bank but not recorded in Cash Book: - After this transaction originally Pass Book Balance is Increase

<u>Cash Book Balance</u>
50,000

<u>Pass Book Balance</u>
50,000
(+) 20,000
70,000

If Cash Book balance is taken as Starting point then it is **Added**

If Pass Book balance is taken as Starting point then it is **Deducted**

7.

Cash Book Balance
50,000

Pass Book Balance
50,000

Direct Payment made by the Bank or Payment Debited by the Bank but not recorded in Cash Book: - After this transaction originally Pass Book Balance is Decrease

Cash Book Balance
50,000

Pass Book Balance
50,000
(-) 10,000
40,000

If Cash Book balance is taken as Starting point then it is **Deducted**

If Pass Book balance is taken as Starting point then it is **Added**

8.

Cash Book Balance
50,000

Pass Book Balance
50,000

Cheque Dishonored but not recorded in Cash Book: - After this transaction originally Pass Book Balance is Decrease

Cash Book Balance
50,000

Pass Book Balance
50,000
(-) 5,000
45,000

If Cash Book balance is taken as Starting point then it is **Deducted**

If Pass Book balance is taken as Starting point then it is **Added**

9.

<u>Cash Book Balance</u>
50,000

<u>Pass Book Balance</u>
50,000

Bills Collected by the bank on behalf of the Customer: - After this transaction originally Pass Book Balance is Increase

<u>Cash Book Balance</u>
50,000

<u>Pass Book Balance</u>
50,000
(+) 20,000
70,000

If Cash Book balance is taken as Starting point then it is Added

If Pass Book balance is taken as Starting point then it is Deducted

Steps of Reconciliation:–

- Take any one of the balance give in the Question either Balance as per Cash Book or Balance as per Pass Book
- Make the adjustment (+ or –) in the balance taken in such a way that it tallied to another balance

Format of Bank Reconciliation Statement

As on

Particulars	Plus Items	Minus Items
Balance as Per Cash Book	XXXX	
Cheque issued but not yet presented for payment [After this transaction Cash book becomes (–) but no effect has taken on pass book so if it is (+) cash book will tally]	XXXX	
Cheque Deposited / paid into bank but not yet Cleared or Credited or collected [After this transaction Cash book becomes (+) but no effect has taken on pass book so if it is (–) cash book will tally]		XXXX
Interest allowed or Credited by the Bank [After this transaction Pass book becomes (+) but no effect has taken on Cash book so if it is (+) cash book will tally]	XXXX	
Interest Debited by the bank or Bank Charges or Interest on Bank overdraft [After this transaction Pass book becomes (–) but no effect has taken on cash book so if it is (–) cash book will tally]		XXXX
Cheque or Bill Receivable Dishonored [After this transaction Pass book becomes (–) but no effect has taken on cash book so if it is (–) cash book will tally]		XXXX
<u>Direct Deposit by Customer</u> [After this transaction Pass book becomes (+) but no effect has taken on Cash book so if it is (+) cash book will tally]	XXXX	
Interest and Dividends Directly Collected by the bank or Credited by the bank but not recorded in Cash Book [After this transaction Pass book becomes (+) but no effect has taken on Cash book so if it is (+) cash book will tally]	XXXX	
Bills Collected by the bank on behalf of the Customer [After this transaction Pass book becomes (+) but no effect has taken on Cash book so if it is (+) cash book will tally]	XXXX	
Balance as Per Pass Book		Balancing Figure
	Total	Total

Favourable Balance as per Cash Book

26. If you start with cash book favorable balance in Bank Reconciliation Statement, which item will be added?	
(a) Cheque deposited but not credited by the bank (b) Cheques omitted to be deposited into bank (c) Any amount directly collected by bank on behalf of customer but not recorded in cash book (d) Debit side of cash book was overcast	
27. A Trader issued cheques worth Rs. 7,800 out of which cheques worth Rs. 6,500 only presented into bank then on reconciling the Cash Book with the Pass Book, the amount to be added will be;	
(a) Rs. 1,300 (b) Rs. 7,800	(c) Rs. 6,500 (d) Rs. 14,300
28. Debit balance as per Cash book = Rs. 2,000. Cheque deposited but not cleared Rs. 100. Cheque issue but not presented = Rs. 150. Bank allowed interest Rs. 50. Bank Collected dividend Rs. 50. Balance as per Pass Book:	
(a) Rs. 2,100 (b) Rs. 1,950	(c) Rs. 2,350 (d) Rs. 2,150
29. Balance shown by Cash Book = Rs. 10,000 Cheque issued but not presented for payments Rs. 4,000 Cheque deposited but not yet collected Rs. 3,000 Balance as Pass Book will be;	
(a) Rs. 9,000 (b) Rs. 10,000	(c) Rs. 11,000 (d) None
30. Debit balance as per Cash Book of ABC enterprise as on 31 st March 2012, was Rs. 1500. Cheques deposited but not cleared amount to Rs. 100. Cheques issued but not presented amounts to Rs.150. the bank allowed interest amounting Rs. 50 and collected dividend Rs. 50 on behalf of ABC enterprises. Balance as per pass book as on 31 st March 2012, should be:	
(a) Rs. 1,600 (b) Rs. 1,450	(c) Rs. 1,850 (d) Rs. 1,650

Unfavorable Balance as per Cash Book

31. The Cash book showed an overdraft of Rs. 1,500 but the pas book made up to same date should that cheques of Rs. 100, Rs. 50 and Rs. 125 had not been presented for payment and a cheque of Rs. 400 had been cleared. The balance as per the Pass book will be:	
(a) Rs. 1,100 (b) Rs. 1,625	(c) Rs. 2,175 (d) Rs. 1,375
32. Bank overdraft as per cash book is Rs. 10,500. Interest debited by bank Rs. 3,500 for which advice was not received by account holder received by account holder. Cheques deposited but not credited by bank Rs. 7,500. Cheque issued but not yet presented Rs. 9,500. What is the overdraft amount as per pass book?	
(a) Rs. 12,000 (b) Rs. 16,000	(c) Rs. 5,000 (d) Rs. 9,000
33. On 31.3.09 the balance of the cash book is Rs. 7,074 (credit) and balance as per bank statement is Rs. 3,159 (debit). On scrutiny it was found that the difference was due to cheques issued but yet not presented for payment. The bank balance as on 31.3.09 to be shown in Balance Sheet as:-	
(a) As Bank overdraft Rs. 3,159 (b) As Cash Book at bank Rs. 7,074	(c) As Bank Overdraft Rs. 7,074 (d) As Cash at Bank Rs. 3,159
34. The balance as per cash book (overdraft) is Rs. 1,500. Cheques for Rs. 400 were deposited but were not collected. The cheques issued but not presented were Rs. 100. 125, Rs. 50. Balance as per Pass Book is:	
(a) Rs. 1,100 (b) Rs. 1,62	(c) Rs. 2,175 (d) Rs. 1,375
35. When over draft as per cash book is the starting point, a cheque of Rs. 5,500 was deposited in bank and duly credited by bank, but not recorded in cash book, _____ in bank reconciliation statement.	
(a) Rs. 5,500 will be added (b) Rs. 5,500 will be deducted	(c) Rs. 11,000 will be added (d) Rs. 11,000 will be deducted

36. Bank column of a cash book of a trader shows a credit balance of Rs. 7,900 and the bank statement shows debit balance of Rs. 10,300 on a particular date after payment made by the bank as per the standing orders. In the statement of affairs, the bank balance will be shown on:	
(a) Assets side Rs. 7,900	(c) Liability side Rs. 2,400
(b) Liability side Rs. 10,300	(d) Assets side Rs. 10,300

Favourable Balance as per Pass Book

37. The bank charged Rs. 1,000 as bank charges to a client and communicates the same to him. The accountant records it is the bank account in books. Later on the bank realizes that the charges were wrongly charged and reverses the same, but forgot to communicate the same to the client. If the accountant is starting with the bank balance as per bank account in books, what will be the treatment in bank Reconciliation statement to arrive at balance as per bank statement:	
(a) Reduce Rs. 1,000	(c) Add Rs. 2,000
(b) Add Rs. 1,000	(d) No treatment
38. On 31 st March, 2011, the bank statement of M/s Smile Traders showed a credit balance of Rs. 10,585. However, during the year the following entries were not found in the cash book of the firm: 1) The bank had debited Rs. 35 per months as bank charges 2) Quarterly interest was credited to the account amounts respectively Rs. 25 , 42 , 39 and 57 The balance of bank account as per the cash book of the firm as on 31 st March 2011 was	
(a) Rs. 10,547	(c) Rs. 10,328
(b) Rs. 10,713	(d) Rs. 10,842

Unfavorable Balance as per Pass Book

39. If the Debit balance as Pass Book is the starting point, A post dated cheque for Rs. 100 has been debited in the bank column of the Cash Book but under no circumstances was it possible to present it	
(a) Rs. 100 Added	(c) Rs. 100 Deducted
(b) Rs. 200 Added	(d) No Effect

Answers									
	A	B	C	D		A	B	C	D
26	O	O	O	O	34	O	O	O	O
27	O	O	O	O	35	O	O	O	O
28	O	O	O	O	36	O	O	O	O
29	O	O	O	O	37	O	O	O	O
30	O	O	O	O	38	O	O	O	O
31	O	O	O	O	39	O	O	O	O
32	O	O	O	O	40	O	O	O	O
33	O	O	O	O		O	O	O	O

Errors

10.

Cash Book Balance
50,000

Pass Book Balance
50,000

The Receipt column of Cash Book is under cast or Cheque Received Deposited and Credited by the bank but entered in the Cash Column of the cash Book: - If this Error has occurred in Cash Book then balance of cash book will Decrease

Cash Book Balance
49,500

Pass Book Balance
50,000

If Cash Book balance is taken as Starting point then it is **Added**

If Pass Book balance is taken as Starting point then it is **Deducted**

40. If the balance as per Pass Book is the starting point, so the treatment of under casting of receipt side of Cash book will be:	
(a) Added	(c) No treatment
(b) Deducted	(d) None of these

11.

Cash Book Balance
50,000

Pass Book Balance
50,000

The Payment column of Cash Book is under cast: -

If this Error has occurred in Cash Book then balance of cash book will Increase

Cash Book Balance
50,500

Pass Book Balance
50,000

If Cash Book balance is taken as Starting point then it is **Deducted**

If Pass Book balance is taken as Starting point then it is **Added**

41. The payment side of cash book is under cast by Rs. 250. If the starting point of BRS is the overdraft Balance as per Pass Book, then what would be the treatment to reach to overdraft Balance of Cash Book?	
(a) Add 250 (b) Less 250	(c) Add 500 (d) Less 500
42. An amount of Rs. 5,000 debited twice in pass book, to prepare Bank Reconciliation Statement, when overdraft as per the cash book in the starting point:	
(a) Rs. 5,000 will be deducted (b) Rs. 5,000 will be added	(c) Rs. 10,000 will be deducted (d) Rs. 10,000 will be added

12.

Cash Book Balance
50,000

Pass Book Balance
50,000

The Receipt column of Cash Book is Over cast or Bill Discounted with the Bank is entered in the Cash Book without deducting the Discount Charge: -

If this Error has occurred in Cash Book then balance of cash book will Increase

Cash Book Balance
62,500

Pass Book Balance
50,000

If Cash Book balance is taken as Starting point then it is **Deducted**

If Pass Book balance is taken as Starting point then it is **Added**

43. If the balance as per Cash Book is the starting point, A Bill for Rs. 5,000 discounted with the Bank is entered in the Cash Book without recording the Discount Charges of Rs.50	
(a) Rs. 50 Added (b) Rs. 5,050 Added	(c) Rs. 50 Deducted (d) Rs. 4,950 Deducted

13.

Cash Book Balance
50,000

Pass Book Balance
50,000

The Payment column of Cash Book is Over cast or Bills retired under Rebate but the full amount of the bill was credited in the cash book: -

If this Error has occurred in Cash Book then balance of cash book will Increase

Cash Book Balance
45,000

Pass Book Balance
50,000

If Cash Book balance is taken as Starting point then it is Added

If Pass Book balance is taken as Starting point then it is Deducted

44. If the balance as per Cash Book is the starting point, A bill for Rs. 1,000 retired by bank under a rebate of Rs. 50, the full amount of the bill was credited in the cash book.	
(a) Added (b) Deducted	(c) No treatment (d) None of these
45. Balance as per Cash Book is Rs. 5,000. Cheque issued but not presented for payments Rs. 2,000 and cheque sent for collection but not collected Rs. 1500. The bank had wrongly debited the account of firm by Rs. 20. Balance as per pass book will be:	
(a) Rs. 5,580 (b) Rs. 5,480	(c) Rs. 4,520 (d) Rs. 5,520
46. The Credit balance of Rs. 2,000 in the bank column of the cash book was carried forward as its Debit balance. When overdraft as per pass book is starting point.	
(a) Rs. 2,000 will be deducted (b) Rs. 2,000 will be added	(c) Rs. 4,000 will be deducted (d) Rs. 4,000 will be added
47. Cash book balance should be increased by Rs. 2,000 but it has reduced by Rs.2,000 it means Cash Book Balance is	
(a) Short by Rs. 4,000 (b) Excess by Rs. 4,000	(c) Excess by Rs. 4,000 (d) Short by Rs. 2,000
48. The Debit balance of Rs. 2,000 in the bank column of the cash book was carried forward as its Credit balance. When overdraft as per pass book is starting point.	
(a) Rs. 2,000 will be deducted (b) Rs. 2,000 will be added	(c) Rs. 4,000 will be deducted (d) Rs. 4,000 will be added
49. Cash book balance should be Decreased by Rs. 2,000 but it has increased by Rs.2,000 it means Cash Book Balance is	
(a) Short by Rs. 4,000 (b) Excess by Rs. 4,000	(c) Excess by Rs. 4,000 (d) Short by Rs. 2,000
50. If the balance as per Cash Book is the starting point, A sum of Rs. 800 deposited in the Bank has been credited as Rs. 80 in the pass Book	
(a) Rs. 720 Added (b) Rs. 880 Added	(c) Rs. 720 Deducted (d) Rs. 880 Deducted
51. Favourable balance as per Cash book under cast by Rs. 2,000. Cheque deposited into bank Rs. 3,000 dishonoured but no entry for dishonoured are made in cash book. Balance as per Pass Book is:	
(a) Rs. 4,000 (b) Rs. 10,000	(c) Rs. 6,000 (d) None of these

Bank Reconciliation Statement After the preparation of Adjusted Cash Book:-

Adjusting the cash book before preparing the Bank Reconciliation Statement is completely optional. Certain times before the reconciliation is done Cash Book is adjusted by

- Wrong amount recorded in the cash-book
- Entry posted twice in the cash book
- Over/ under casting of the balance
- Omission of
 - bank charges only recorded in the pass book
 - interest Debited by the bank
 - Direct Receipt or Payment by the bank
 - Dishonoured of Bills / Cheque etc.

These items are recorded in Pass Book But its effect are omitted to taken in Cash Book.

If these items are adjusted in cash and such cash book is called Adjusted Cash Book. This Adjusted Cash Book Balance is taken to Bank Reconciliation Statement.

Delay in recording in the pass book due to difference in timing such as (1) Cheque issued but not presented for payment (2) Cheque Deposited but not collected is only consider in Bank Reconciliation Statement.

Errors occurred in the Pass Book are not to be adjusted in the Cash Book. All the Adjustments considered in the adjusted Cash Book are not carried again to the Bank Reconciliation Statement.

52. In arriving at adjusted cash balance which of the following is not taken into amount.	
(a) Amount deposited by our customer directly in our account.	(c) Error in the Pass Book
(b) Error in the cash book	(d) All of these
53. Which of these items are taken into consideration for preparation of adjusted Cash Book	
(a) Mistake in Cash Book	(c) Cheque issued but not presented for payment
(b) Mistake in Pass Book	(d) Cheques deposited but not cleared

Answers									
	A	B	C	D		A	B	C	D
41	O	O	O	O	51	O	O	O	O
42	O	O	O	O	52	O	O	O	O
43	O	O	O	O	53	O	O	O	O
44	O	O	O	O	54	O	O	O	O
45	O	O	O	O	55	O	O	O	O
46	O	O	O	O	56	O	O	O	O
47	O	O	O	O	57	O	O	O	O
48	O	O	O	O	58	O	O	O	O
49	O	O	O	O	59	O	O	O	O
50	O	O	O	O	60	O	O	O	O