

Chapter 5

Bank Reconciliation Statement

SHORT QUESTION

1. State the need for the preparation of bank reconciliation statement?
2. What is a bank overdraft?
3. Briefly explain the statement 'wrongly debited by the bank' with the help of an example.
4. State the causes of difference occurred due to time lag.
5. Briefly explain the term favourable balance as per cash book
6. Enumerate the steps to ascertain the correct cash book balance.

LONG QUESTION

1. What is a bank reconciliation statement? Why is it prepared?
2. Explain the reasons where the balance shown by the bank passbook does not agree with the balance as shown by the bank column of the cash book.
3. Explain the process of preparing bank reconciliation statement with amended cash balance.

NUMERICAL QUESTION

1. From the following particulars, prepare a, bank reconciliation statement as at March 31, 2005.
 - (i) Balance as per cash book Rs 3,200
 - (ii) Cheque issued but not presented for payment Rs 1,800
 - (iii) Cheque deposited but not collected upto March 31, 2005 Rs 2,000
 - (iv) Bank charges debited by bank Rs 150
2. On March 31 2005 the cash book showed a balance of Rs 3,700 as cash

at bank, but the bank passbook made up to same date showed that cheques for Rs 700, Rs 300 and Rs 180 respectively had not presented for payment, Also, cheque amounting to Rs 1,200 deposited into the account had not been credited. Prepare a bank reconciliation statement.

3. The cash book shows a bank balance of Rs 7,800. On comparing the cash book with passbook the following discrepancies were noted:

- (a) Cheque deposited in bank but not credited Rs 3,000
- (b) Cheque issued but not yet present for payment Rs 1,500
- (c) Insurance premium paid by the bank Rs 2,000
- (d) Bank interest credit by the bank Rs 400
- (e) Bank charges Rs 100
- (d) Directly deposited by a customer Rs 4,000

4. Bank balance of Rs 40,000 showed by the cash book of Atul on December 31, 2005. It was found that three cheques of Rs 2,000, Rs 5,000 and Rs 8,000 deposited during the month of December were not credited in the passbook till January 02, 2005. Two cheques of Rs 7,000 and Rs 8,000 issued on December 28, were not presented for payment till January 03, 2005. In addition to it bank had credited Atul for Rs 325 as interest and had debited him with Rs 50 as bank charges for which there were no corresponding entries in the cash book.

Prepare a bank reconciliation statement as on December 31, 2004.

5 : On comparing the cash book with passbook of Naman it is found that on March 31, 2005, bank balance of Rs 40,960 showed by the cash book differs from the bank balance with regard to the following:

6 : p prepare bank reconciliation statement as on December 31, 2004. On this day the passbook of Mr. Himanshu showed a balance of Rs 7,000.

- (a) Cheques of Rs 1,000 directly deposited by a customer.
- (b) The bank has credited Mr. Himanshu for Rs 700 as interest.
- (c) Cheques for Rs 3,000 were issued during the month of December but of these cheques for Rs 1,000 were not presented during the month of December.

7:From the following particulars prepare a bank reconciliation statement showing the balance as per cash book on December 31, 2005.

- (a) Two cheques of Rs 2,000 and Rs 5,000 were paid into bank in October, 2005 but were not credited by the bank in the month of December.
- (b) A cheque of Rs 800 which was received from a customer was entered in the bank column of the cash book in December 2004 but was omitted to be banked in December, 2004.
- (c) Cheques for Rs 10,000 were issued into bank in January 2005 but not credited by the bank on December 31, 2005.
- (d) Interest on investment Rs 1,000 collected by bank appeared in the passbook.

Balance as per Passbook was Rs 50,000

8. Balance as per passbook of Mr. Kumar is 3,000.

- (a) Cheque paid into bank but not yet cleared
 - Ram Kumar Rs 1,000
 - Kishore Kumar Rs 500
- (b) Bank Charges Rs 300
- (c) Cheque issued but not presented
 - Hameed Rs 2,000
 - Kapoor Rs 500
- (d) Interest entered in the passbook but not entered in the cash book Rs 100

Prepare a bank reconciliation statement.

9: The passbook of Mr. Mohit current account showed a credit Balance of Rs 20,000 on dated December 31, 2005. Prepare a Bank Reconciliation Statement with the following information.

- (i) A cheque of Rs 400 drawn on his saving account has been shown on current account.
- (ii) He issued two cheques of Rs 300 and Rs 500 on of December 25, but only the 1st cheque was presented for payment.
- (iii) One cheque issued by Mr. Mohit of Rs 500 on December 25, but it was not presented for payment whereas it was recorded twice in the cash book.

10 : On 1st January 2005, Rakesh had an overdraft of Rs 8,000 as showed by his cash book. Cheques amounting to Rs 2,000 had been paid in by him but were not collected by the bank by

January 01, 2005. He issued cheques of Rs 800 which were not presented to the bank for payment up to that day. There was a debit in his passbook of Rs 60 for interest and Rs 100 for bank charges. Prepare bank reconciliation statement for comparing both the balance.

Prepare bank reconciliation statement.

- 11.(i) Overdraft shown as per cash book on December 31, 2005 Rs 10,000.
- (ii) Bank charges for the above period also debited in the passbook Rs 100.
- (iii) Interest on overdraft for six months ending December 31, 2005 Rs 380 debited in the passbook.
- (iv) Cheques issued but not in cashed prior to December 31, 2005 amounted to Rs 2,150.
- (v) Interest on Investment collected by the bank and credited in the passbook Rs 600.
- (vi) **Cheques paid into bank but not cleared before December, 31 2005 were Rs 1,100.**

Prepare bank reconciliation statement.

12. Kumar find that the bank balance shown by his cash book on December 31, 2005 is Rs 90,600 (Credit) but the passbook shows a difference due to the following reason:

A cheque (post dated) for Rs 1,000 has been debited in the bank column of the cash book but not presented for payment. Also, a cheque for Rs 8,000 drawn in favour of Manohar has not yet been presented for payment. Cheques totaling Rs 1,500 deposited in the bank have not yet been collected and cheque for Rs 5,000 has been dishonoured.

13: On December 31, 2005, the cash book of Mittal Bros. Showed an overdraft of Rs 6,920. From the following particulars prepare a Bank Reconciliation Statement and ascertain the balance as per passbook.

14. Prepare bank reconciliation statement of Shri Bhandari as on December 31, 2005

- (i) The Payment of a cheque for Rs 550 was recorded twice in the passbook.
- (ii) Withdrawal column of the passbook under cast by Rs 200
- (iii) Cheque of Rs 200 has been debited in the bank column of the Cash Book but it was not sent to bank at all.
- (iv) A Cheque of Rs 300 debited to Bank column of the passbook was not sent to the

15: Overdraft shown by the passbook of Mr. Murli is Rs 20,000. Prepare bank reconciliation statement on dated December 31, 2005.

- (i) Bank charges debited as per passbook Rs 500.
- (ii) Cheques recorded in the cash book but not sent to the bank for collection Rs 2,500.
- (iii) Received a payment directly from customer Rs 4,600.
- (iv) Cheque issued but not presented for payment Rs 6,980.
- (v) Interest credited by the bank Rs 100.
- (vi) LIC paid by bank Rs 2,500.
- (vii) Cheques deposited with the bank but not collected Rs 3,500.

Q16 :

Q16:Raghav & Co. have two bank accounts. Account No. I and Account No. II. From the following particulars relating to Account No. I, find out the balance on that account of December 31, 2005 according to the cash book of the firm.

- (i) Cheques paid into bank prior to December 31, 2005, but not credited for Rs 10,000.
- (ii) Transfer of funds from account No. II to account no. I recorded by the bank on December 31, 2005 but entered in the cash book after that date for Rs 8,000.
- (iii) Cheques issued prior to December 31, 2005 but not presented until after that date for Rs 7,429.
- (iv) Bank charges debited by bank not entered in the cash book for Rs 200.
- (v) Interest Debited by the bank not entered in the cash book Rs 580.
- (vi) Overdraft as per Passbook Rs 18,990.

Q17 :Prepare a bank reconciliation statement from the following particulars and show the balance as per cash book.

- (i) Balance as per passbook on December 31, 2005 overdrawn Rs 20,000.
- (ii) Interest on bank overdraft not entered in the cash book Rs 2,000.
- (iii) Rs 200 insurance premium paid by bank has not been entered in the cash book.
- (iv) Cheques drawn in the last week of December, 2005, but not cleared till date for Rs 3,000 and Rs 3,500.
- (v) Cheques deposited into bank on November, 2005, but yet to be credited on dated December 31, 2005 Rs 6,000.

(vii) Wrongly debited by bank Rs 500.

Q18 :

The passbook of Mr. Randhir showed an overdraft of Rs 40,950 on March 31, 2005. Prepare bank reconciliation statement on March 31, 2005.

- (i) Out of cheques amounting to Rs 8,000 drawn by Mr. Randhir on March 27, a cheque for Rs 3,000 was encashed on April 03.
- (ii) Credited by bank with Rs 3,800 for interest collected by them, but the amount is not entered in the cash book.
- (iii) Rs 10,900 paid in by Mr. Randhir in cash and by cheques on March, 31 cheques amounting to Rs 3,800 were collected on April, 07.

A Cheque of Rs 780 credited in the passbook on March 28 being dishonoured is debited again in the passbook on April 01, 2005. There was no entry in the cash book about the dishonour of the cheque until April 15

