

# **PPT ON BANK** **RECONCILIATION** **STATEMENT**

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# INTRODUCTION OF BRS

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Bank Reconciliation Statement is a statement which records differences between the bank statement and general ledger. ... A **BRS** means matching records for a cash account entries corresponding to the bank statement

# THE PURPOSE OF THE BANK RECONCILIATION STATEMENT

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- Bank Reconciliation Statement is a statement which records differences between the bank statement and general ledger. ... A **BRS** means matching records for a cash account entries corresponding to the bank statement

# REASONS FOR DIFFERENCES BETWEEN THE CASH BOOK BALANCE AND THE BANK STATEMENT BALANCE

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## I. Uncredited items

They are deposits paid into the bank. These items occurred too close to the cut-off date of the bank statement and so do not appear on the statement. They will appear on the next statement.

**Banking made shown in the cash book**

**But not on the bank statement**



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2. Unpresented cheques

They are cheques issued by the firm that have not yet been presented to its bank for payment.

3. Standing orders

They are standing instructions from the firm to the bank to make regular payments.

4. Direct debits

They are payments made directly through the bank.

5. Bank charges

They are charges made by the bank to the company for banking services used.



## 6. Dishonoured cheques

They are cheques deposited but subsequently returned by the bank due to the failure of the drawer to pay.

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## 7. Credit transfers / direct credits

They are money received from customers directly through the banking system.

## 8. Interest allowed by the bank

They are interest received for deposits or fixed deposits.



# NATURE OF THE CASH BOOK AND BANK STATEMENT

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## Cash Book (bank column only)

Debit represents an increase

Credit represents an decrease

## Bank Statement

	Dr	Cr	Balance
	(represents decrease)	(represents increase)	(represents the amount owned to the clients)



# DRAWING UP A BANK RECONCILIATION STATEMENT

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1. To reconcile the Bank statement with the Corrected Cash Books
2. To reconcile the Bank statement with Unadjusted Cash Book





# TO RECONCILE THE BANK STATEMENT WITH CORRECTED CASH BOOK

Three steps:

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1. Check the bank statement and the cash book to identify the items which have been omitted.
2. Update the cash book with any omissions and errors made by the firm itself.
  - e.g. Credit transfers (debit cash book)
  - Bank interest (debit cash book)
  - Standing orders / direct debits (credit cash book)
  - Bank charges (credit cash book)
  - Dishonoured cheques (credit cash book)
3. Prepare the bank reconciliation statement

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**THANK YOU**