

Little Flower Matriculation Higher Secondary School
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11 – Accountancy
Unit – 8 Bank Reconciliation Statement

I. Choose the Correct Answers

1. A bank reconciliation statement is prepared by
(a) Bank **(b) Business** (c) Debtor to the business (d) Creditor to the business
2. A bank reconciliation statement is prepared with the help of
(a) Bank statement (b) Cash book
(c) Bank statement and bank column of the cash book (d) Petty cash book
3. Debit balance in the bank column of the cash book means
(a) Credit balance as per bank statement
(b) Debit balance as per bank statement
(c) Overdraft as per cash book (d) None of the above
4. A bank statement is a copy of
(a) Cash column of the cash book (b) Bank column of the cash book
(c) A customer's account in the bank's book
(d) Cheques issued by the business
5. A bank reconciliation statement is prepared to know the causes for the difference between:
(a) The balance as per the cash column of the cash book and bank column of the cash book
(b) The balance as per the cash column of the cash book and bank statement
(c) The balance as per the bank column of the cash book and the bank statement
(d) The balance as per petty cash book and the cash book

6. When money is withdrawn from bank, the bank
(a) Credits customer's account **(b) Debits customer's account**
(c) Debits and credits customer's account (d) None of these
7. Which of the following is not the salient feature of bank reconciliation statement?
a) Any undue delay in the clearance of cheques will be shown up by the reconciliation
b) Reconciliation statement will discourage the accountant of the bank from embezzlement
c) It helps in finding the actual position of the bank balance
d) Reconciliation statement is prepared only at the end of the accounting period
8. Balance as per cash book is ₹ 2, 000. Bank charge of ₹ 50 debited by the bank is not yet shown in the cash book. What is the bank statement balance now?
(a) ₹ 1,950 credit balance
(b) ₹ 1,950 debit balance
(c) ₹ 2,050 debit balance
(d) ₹ 2,050 credit balance
9. Balance as per bank statement is ₹ 1, 000. Cheque deposited, but not yet credited by the bank is ₹ 2, 000. What is the balance as per bank column of the cash book?
(a) ₹ 3,000 overdraft **(b) ₹ 3,000 favourable**
(c) ₹ 1,000 overdraft (d) ₹ 1,000 favourable
10. Which one of the following is not a timing difference?
(a) Cheque deposited but not yet credited
(b) Cheque issued but not yet presented for payment
(c) Amount directly paid into the bank
(d) Wrong debit in the cash book

II. Very short answer

1. What is meant by bank overdraft?

- (i) Bank overdraft is an amount drawn over the above the actual balance kept in the account.
- (ii) This facility is available only to the current account holders.

2. What is bank reconciliation statement?

- (i) If every entry in the cash book matches with the bank statement, then bank balance will be the same in both the records.
- (ii) But, practically it may not be possible.
- (iii) When the balances do not agree with each other, the need for preparing a statement to explain the causes arises.
- (iv) This statement is called bank reconciliation statement (BRS).

3. State any two causes of disagreement between the balance as per bank column of cash book and bank statement.

(A) Timing differences

- (i) The different times at which the same items are entered.
- (ii) Cheques issued but not yet presented for payment,

(B) Errors in recording

- (i) Difference arising due to errors in recording the entries.
- (ii) Errors committed in recording the transactions by the business in the cash book.

4. Give any two expenses which may be paid by the banker as per standing instruction.

- (i) Rent paid by bank as per standing instruction.
- (ii) Insurance premium paid by the as per standing instruction.

5. Substitute the following statements with one word / phrase.

- (a) A copy of customer's account issued by the bank - Bank Pass Book
- (b) Debit balance as per bank statement - Bank overdraft
- (c) Statement showing the causes of disagreement between the balance as per cash book and balance as per bank statement - Bank Reconciliation Statement

6. Do you agree on the following statements? Write "yes" if you agree, and write "no" if you disagree.

- (a) Bank reconciliation statement is prepared by the banker. - No
- (b) Adjusting the cash book before preparing the bank reconciliation statement is compulsory. - No
- (c) Credit balance as per bank statement is an overdraft. - No
- (d) Bank charges debited by the bank increases the balance as per bank statement. - No
- (e) Bank reconciliation statement is prepared to identify the causes of differences between balance as per bank column of the cash book and balance as per cash column of the cash book. - No

III. Short answer**1. Give any three reasons for preparing bank reconciliation statement.**

- (i) To identify the delay in the clearance of cheques.
- (ii) To ascertain the correct balance of bank column of cash book.
- (iii) To discourage the accountants of the business as well as bank from misusing funds.

2. What is meant by the term “cheque not yet presented?”

- (i) When the cheques are issued by the business, it is immediately entered on the credit side of the cash book by the business.
- (ii) But, this may not be entered in the bank statement on the same day.
- (iii) It will be entered in the bank statement only after it is presented with the bank.
- (iv) It is also Known as outstanding cheque.

3. Explain why does money deposited into bank appear on the debit side of the cash book, but on the credit side of the bank statement?

- (i) Cash Book maintained by trader, cash will goes out from the trader point of view, so money deposited into the bank appear on the debit side of the cash book.
- (ii) Bank statement prepared by bank, deposited money by trader, it is liability from bankers view, so money deposited into the bank, it will appear in the credit side of the bank statement.

4. What will be the effect of interest charged by the bank, if the balance is an overdraft?

- (i) Cash Book shows a debit balance or the Pass Book shows a credit balance, that is, the Bank owes an amount to the trader.
- (ii) Generally, a bank allows its customer to draw from his account over and above its balance up to a limit as agreed upon.
- (iii) The facility is known as over-draft.
- (iv) Overdraft balance will be increased, if the interest is charged by the bank.

5. State the timing difference in BRS with examples?

- (i) Cheques issued but not yet presented for payment
- (ii) Cheques deposited into bank but not yet credited
- (iii) Bank charges and interest on loan and overdraft
- (iv) Interest and dividends collected by the bank
- (v) Dishonour of cheques and bills

- (vi) Amount paid by parties directly into the bank
- (vii) Payment made directly by the bank to others
- (viii) Bills collected by the bank on behalf of its customer

Thank You

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