

# Chapter 6: Bank Reconciliation Statement

## EXERCISE 1 [PAGE 204]

Exercise 1 | Q 1 | Page 204

### QUESTION

**Answer in one sentence:**

Who prepares a bank Pass Book?

### SOLUTION

Bank Pass Book is prepared by Bank, which is nothing but a copy or extract of ledger account of account holder appearing in the bank ledger.

Exercise 1 | Q 2 | Page 204

### QUESTION

**Answer in one sentence:**

What is pay-in-slip?

### SOLUTION

When the account holder deposits cheque or cash into his bank account, a slip is filled by him, which is known as Pay-In-Slip also called Deposit Slip.

Exercise 1 | Q 3 | Page 204

### QUESTION

**Answer in one sentence:**

What is bank overdraft?

### SOLUTION

The amount withdrawn by the current account holder in excess of the balance in his current account up to a predetermined limit decided by the bank on the basis of pre decided conditions, is known as Bank Overdraft.

Exercise 1 | Q 4 | Page 204

### QUESTION

**Answer in one sentence:**

What is withdrawal slip?

**SOLUTION**

A form/slip which is to be filled for withdrawing money from the bank is known as Withdrawal Slip.

Exercise 1 | Q 5 | Page 204

**QUESTION**

**Answer in one sentence:**

Who sends the bank statement?

**SOLUTION**

Bank statement is issued by the bank to the current account holders.

Exercise 1 | Q 6 | Page 204

**QUESTION**

**Answer in one sentence:**

What does a debit balance in Cash Book represent?

**SOLUTION**

The debit balance of the cash book represents bank balance as per cash book.

Exercise 1 | Q 7 | Page 204

**QUESTION**

**Answer in one sentence:**

Who prepares the Bank Reconciliation Statement?

**SOLUTION**

Bank Reconciliation Statement is prepared by the proprietor or account holder.

Exercise 1 | Q 8 | Page 204

**QUESTION**

**Answer in one sentence:**

What does debit balance in Pass Book represent?

**SOLUTION**

Debit balance in pass book indicates bank overdraft as per pass book.

Exercise 1 | Q 9 | Page 204

### **QUESTION**

**Answer in one sentence:**

On which side is interest on bank deposit recorded in Pass Book?

### **SOLUTION**

Interest on bank deposit is recorded on the credit side of pass book.

Exercise 1 | Q 10 | Page 204

### **QUESTION**

**Answer in one sentence:**

Why is the Bank Reconciliation Statement prepared?

### **SOLUTION**

Bank Reconciliation Statement is prepared to explain the causes of disagreement between the balances shown by the cash book under the bank column and the balance shown in the pass book.

## **EXERCISE 2 [PAGE 204]**

Exercise 2 | Q 1 | Page 204

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

The account on which overdraft facility is allowed by bank.

### **SOLUTION**

The account on which overdraft facility is allowed by bank. - **Current account**

Exercise 2 | Q 2 | Page 204

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

Extract of ledger account of account holder in the books of bank.

### **SOLUTION**

Extract of ledger account of account holder in the books of bank. - **Pass Book**

Exercise 2 | Q 3 | Page 204

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

Alphanumeric code that facilitates electronic funds transfer in India.

### **SOLUTION**

Alphanumeric code that facilitates electronic funds transfer in India. - **Indian Financial System [IFSC]**

Exercise 2 | Q 4 | Page 204

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

Statement showing the causes of disagreement between balance of Cash Book and Pass Book.

### **SOLUTION**

Statement showing the causes of disagreement between balance of Cash Book and Pass Book. - **Bank Reconciliation Statement [BRS]**

Exercise 2 | Q 5 | Page 204

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

Debit balance in Pass Book.

### **SOLUTION**

Debit balance in Pass Book. - **Overdraft as per pass book**

Exercise 2 | Q 6 | Page 204

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

A form which is filled for depositing cash or cheque into bank.

### **SOLUTION**

A form which is filled for depositing cash or cheque into bank. - **Pay-In-Slip**

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

Left hand side of Pay-in-slip.

### **SOLUTION**

Left hand side of Pay-in-slip. - **Counterfoil**

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

Credit balance in Cash Book.

### **SOLUTION**

Credit balance in Cash Book. - **Overdraft as per cash book**

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

A book maintained by trader to record banking transactions.

### **SOLUTION**

A book maintained by trader to record banking transactions. - **Cash book**

### **QUESTION**

**Give one word/term/phrase which can substitute the following statement:**

Excess of bank deposits over withdrawals by businessman in bank current account.

### **SOLUTION**

Excess of bank deposits over withdrawals by businessman in bank current account.  
- **Bank balance (favourable balance)**

## **EXERCISE 3 [PAGES 204 - 205]**

## QUESTION

**Do you agree or disagree with the following statement:**

The bank column of Cash Book represents bank account.

- Agree
- Disagree

## SOLUTION

The bank column of Cash Book represents bank account. - **Agree**

Exercise Q3 | Q 2 | Page 204

## QUESTION

**Do you agree or disagree with the following statement:**

Bank statement enables account holder to prepare Bank Reconciliation Statement.

- Agree
- Disagree

## SOLUTION

Bank statement enables account holder to prepare Bank Reconciliation Statement.  
- **Agree**

Exercise 3 | Q 3 | Page 204

## QUESTION

**Do you agree or disagree with the following statement:**

Cheques issued for payment but not presented to bank appears in Cash Book only.

- Agree
- Disagree

## SOLUTION

Cheques issued for payment but not presented to bank appears in Cash Book only.  
- **Agree**

Exercise 3 | Q 4 | Page 204

## QUESTION

**Do you agree or disagree with the following statement:**

Bank Reconciliation Statement is prepared only during the year end.

- Agree
- Disagree

### **SOLUTION**

Bank Reconciliation Statement is prepared only during the year end. - **Disagree**

Exercise 3 | Q 5 | Page 204

### **QUESTION**

**Do you agree or disagree with the following statement:**

Bank Reconciliation Statement is similar to bank statement.

- Agree
- Disagree

### **SOLUTION**

Bank Reconciliation Statement is similar to bank statement. - **Disagree**

Exercise 3 | Q 6 | Page 205

### **QUESTION**

**Do you agree or disagree with the following statement:**

Bank balance as per Cash Book is always equal to bank balance as per Pass Book.

- Agree
- Disagree

### **SOLUTION**

Bank balance as per Cash Book is always equal to bank balance as per Pass Book.  
- **Disagree**

Exercise 3 | Q 7 | Page 205

### **QUESTION**

**Do you agree or disagree with the following statement:**

Bank advice is sent by the businessman to bank.

- Agree

- Disagree

## **SOLUTION**

Bank advice is sent by the businessman to bank. - **Disagree**

Exercise 3 | Q 8 | Page 205

## **QUESTION**

**Do you agree or disagree with the following statement:**

Pay-in-slip is used for depositing cheque into bank.

- Agree
- Disagree

## **SOLUTION**

Pay-in-slip is used for depositing cheque into bank. - **Agree**

Exercise 3 | Q 9 | Page 205

## **QUESTION**

**Do you agree or disagree with the following statement:**

Difference in Cash Book balance and Pass Book balance may arise due to errors committed while recording.

- Agree
- Disagree

## **SOLUTION**

Difference in Cash Book balance and Pass Book balance may arise due to errors committed while recording. - **Agree**

Exercise 3 | Q 10 | Page 205

## **QUESTION**

**Do you agree or disagree with the following statement:**

Payment and receipt of cash through internet banking generates automatic proof.

- Agree
- Disagree

## **SOLUTION**



Payment and receipt of cash through internet banking generates automatic proof.

- **Agree**

## **EXERCISE 4 [PAGE 205]**

Exercise 4 | Q 1 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

Overdraft means \_\_\_\_\_ balance of Cash Book.

- closing
- debit
- opening
- credit

### **SOLUTION**

Overdraft means **credit** balance of Cash Book.

Exercise 4 | Q 2 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

When a cheque is deposited and collected by bank Pass Book is \_\_\_\_\_.

- dishonoured
- debited
- credited
- written

### **SOLUTION**

When a cheque is deposited and collected by bank Pass Book is **credited**.

Exercise 4 | Q 3 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

A \_\_\_\_\_ is a summary of financial transactions that take place over a period of time on a bank account.

- withdrawal slip
- bank advice
- bank statement
- Pay-in-slip

### **SOLUTION**

A **bank statement** is a summary of financial transactions that take place over a period of time on a bank account.

Exercise 4 | Q 4 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

Debiting an entry in Cash Book \_\_\_\_\_ cash balance.

- increases
- decreases
- nullifies
- none of the above

### **SOLUTION**

Debiting an entry in Cash Book **increases** cash balance.

Exercise 4 | Q 5 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

Bank Reconciliation Statement is prepared by \_\_\_\_\_.

- student
- businessman

- bank
- none of the above

### **SOLUTION**

Bank Reconciliation Statement is prepared by **businessman.**

Exercise 4 | Q 6 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

Bank balance as per Pass Book means \_\_\_\_\_ balance of Pass Book.

- credit
- opening
- debit
- closing

### **SOLUTION**

Bank balance as per Pass Book means **credit** balance of Pass Book.

Exercise 4 | Q 7 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

Bank gives overdraft facility to \_\_\_\_\_ account holder.

- savings
- recurring
- current
- fixed

### **SOLUTION**

Bank gives overdraft facility to **current** account holder.

Exercise 4 | Q 8 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

Debit balance as per Cash Book is also known as \_\_\_\_\_ balance.

- favourable
- overdraft
- abnormal
- unfavourable

### **SOLUTION**

Debit balance as per Cash Book is also known as **favourable** balance.

Exercise 4 | Q 9 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

When extracts of Cash Book and Pass Book are given for uncommon periods, only \_\_\_\_\_ items are considered for preparation of Bank Reconciliation Statement.

- uncommon
- normal
- favourable
- common

### **SOLUTION**

When extracts of Cash Book and Pass Book are given for uncommon periods, only **common** items are considered for preparation of Bank Reconciliation Statement.

Exercise 4 | Q 10 | Page 205

### **QUESTION**

**Select the most appropriate alternative from those given and rewrite the following statement:**

When extract of Cash Book and Pass Book are given for common period, only \_\_\_\_\_ items are considered for preparation of Bank Reconciliation Statement.

- uncommon

- common
- favourable
- unfavourable

## **SOLUTION**

When extract of Cash Book and Pass Book are given for common period, only **uncommon** items are considered for preparation of Bank Reconciliation Statement.

## **EXERCISE 5 [PAGE 206]**

Exercise 5 | Q 1 | Page 206

### **QUESTION**

**Complete the following statement:**

Payments credited in Cash Book are \_\_\_\_\_ in Pass Book.

### **SOLUTION**

Payments credited in Cash Book are **debited** in Pass Book.

Exercise 5 | Q 2 | Page 206

### **QUESTION**

**Complete the following statement:**

While preparing Bank Reconciliation Statement only \_\_\_\_\_ column of Cash Book is considered.

### **SOLUTION**

While preparing Bank Reconciliation Statement only **bank** column of Cash Book is considered.

Exercise 5 | Q 3 | Page 206

### **QUESTION**

**Complete the following statement:**

Cheques issued to creditors appear first in \_\_\_\_\_ book.

### **SOLUTION**

Cheques issued to creditors appear first in **cash** Book.

Exercise 5 | Q 4 | Page 206

## QUESTION

### Complete the following statement:

A statement showing the reasons for difference in Cash Book balance and Pass Book balance is known as \_\_\_\_\_.

## SOLUTION

A statement showing the reasons for difference in Cash Book balance and Pass Book balance is known as **Bank Reconciliation Statement**.

Exercise 5 | Q 5 | Page 206

## QUESTION

### Complete the following statement:

Overcast on receipt side of Pass Book means \_\_\_\_\_ in Pass Book balance.

## SOLUTION

Overcast on receipt side of Pass Book means **increase** in Pass Book balance.

Exercise 5 | Q 6 | Page 206

## QUESTION

### Complete the following statement:

Online transfer made to our creditors appear on the \_\_\_\_\_ side of Cash Book.

## SOLUTION

Online transfer made to our creditors appear on the **payment credit** side of Cash Book.

Exercise 5 | Q 7 | Page 206

## QUESTION

### Complete the following statement:

Interest on overdraft charged by bank is \_\_\_\_\_ in Pass Book.

## SOLUTION

Interest on overdraft charged by bank is **debited** in Pass Book.

Exercise 5 | Q 8 | Page 206

## QUESTION

**Complete the following statement:**

Normally the Cash Book shows debit balance and Pass Book shows \_\_\_\_\_ balance.

**SOLUTION**

Normally the Cash Book shows debit balance and Pass Book shows **credit** balance.

Exercise 5 | Q 9 | Page 206

**QUESTION**

**Complete the following statement:**

The form filled for withdrawing cash from bank is known as \_\_\_\_\_.

**SOLUTION**

The form filled for withdrawing cash from bank is known as **withdrawal slip**.

Exercise 5 | Q 10 | Page 206

**QUESTION**

**Complete the following statement:**

A businessman can update his records on receiving \_\_\_\_\_.

**SOLUTION**

A businessman can update his records on receiving **bank advice**.

**EXERCISE 6 [PAGE 206]**

Exercise 6 | Q 1 | Page 206

**QUESTION**

**State whether the following statement is True or False with reasons:**

Cheques deposited into bank but not yet cleared appears in the Pass Book only.

- True
- False

**SOLUTION**

**This statement is False.**

Cheques deposited into bank should be recorded first on the debit side of cash book and after receiving the amount by bank, bank will credit it. Thus, uncleared cheques appear

in the cash book only.

Exercise 6 | Q 2 | Page 206

### **QUESTION**

**State whether the following statement is True or False with reasons:**

Direct deposit made by debtors into businessman's bank account is recorded on the credit side of Pass Book.

- True
- False

### **SOLUTION**

**This statement is True.**

As businessman is unaware of any amount directly deposited by debtors into a businessman's bank account. He is not in a position to record it in cash book while it is already recorded on the credit side of pass book.

Exercise 6 | Q 3 | Page 206

### **QUESTION**

**State whether the following statement is True or False with reasons:**

Businessman can prepare Bank Reconciliation statement only with Cash Book Balance.

- True
- False

### **SOLUTION**

**This statement is False.**

Bank Reconciliation Statement can be prepared with cash book balance or pass book balance or with overdraft by a businessman at the end of a specified period.

Exercise 6 | Q 4 | Page 206

### **QUESTION**

**State whether the following statement is True or False with reasons:**

When overdraft as per Cash Book is given, bank charges debited in Pass Book only, is to be added.



- True
- False

### **SOLUTION**

**This statement is True.**

When overdraft as per cash book is given. It means that it is a debt for a businessman to bank and bank charges increase the debt towards bank. Therefore it is to be added in the overdraft amount.

Exercise 6 | Q 5 | Page 206

### **QUESTION**

**State whether the following statement is True or False with reasons:**

Bank Statement is sent by Bank to businessman.

- True
- False

### **SOLUTION**

**This statement is True.**

As a matter of service, the bank provides bank statement to account holder because the bank statement is a summary of financial transactions which have taken place over a given period of time between the bank and his customer.