🏛 **BANKING AND BANK RECONCILIATION STATEMENT (BRS) – DETAILED NOTES**

📘 **1. Introduction to Banking in Accounting**

Banking in accounting refers to all business-related activities involving a bank account. This includes receiving payments, making payments, issuing cheques, direct deposits, bank charges, interest earned, and reconciling bank statements with accounting records.

In computerized systems like **Tally**, banking features are integrated to help users:

- Manage bank ledgers,

- Handle cheque transactions,

- Record deposits and withdrawals,

- Perform bank reconciliation quickly and accurately.

📄 **2. Importance of Banking in Business**

Banking plays a vital role in:

- Ensuring smooth financial operations.

- Maintaining records of all transactions with the bank.

- Facilitating online payments, cheque printing, and deposits.

- Generating reports for decision-making.

- Enabling reconciliation between cash book and bank statement.

📚 **3. Common Bank Transactions in Business**

- Customer deposits into the business bank account.

- Payments to suppliers.

- Bank charges (e.g., maintenance fees, transaction fees).

- Interest earned on deposits.

- Issued or deposited cheques.

- Direct debits or standing orders.

- Bank loans or repayments.

📋 **4. Bank Ledger in Tally**

In Tally, a **bank ledger** is created under the group "Bank Accounts."

💡 **Steps to Create a Bank Ledger in Tally:**

1. Go to **Gateway of Tally → Accounts Info → Ledgers → Create**.

2. Enter the **ledger name** (e.g., KCB Current Account).

3. Select the group: **Bank Accounts**.

4. Fill in details like **bank name, account number, IFSC, branch name**, etc.

5. Add **Opening Balance**, if any.

6. Press **Ctrl + A** to save.

Once created, this ledger is used for all receipts, payments, and bank-related vouchers.

📄 **5. What is Bank Reconciliation Statement (BRS)?**

A **Bank Reconciliation Statement** is a document that compares the bank balance as per a company's accounting records (Cash Book) with the balance shown in the bank statement (Bank Passbook).

✅ **Objective of BRS:**

To identify and explain any differences between the two balances and ensure both match accurately after adjustments.

🧠 **6. Why Do Differences Occur Between Cash Book and Bank Statement?**

Differences arise due to:

- Cheques issued but not yet presented.

- Cheques deposited but not yet cleared.

- Bank charges or interest not yet recorded in books.

- Direct payments/deposits by third parties.

- Errors in recording transactions (duplicate, omission, wrong amount).

- Standing instructions like loan payments or utility bills.

🔍 7. Purpose of BRS

- Detects discrepancies between books and bank statement.

- Prevents fraud or unauthorized transactions.

- Ensures accurate financial reporting.

- Helps track pending transactions (e.g., uncleared cheques).

- Enhances control over cash and bank balances.

📑 8. Format of a Bank Reconciliation Statement

A typical BRS starts with one balance (Cash Book or Bank Statement) and adjusts for all timing differences and unrecorded transactions to arrive at the corresponding balance.

📝 Example Format:

Bank Reconciliation Statement as at 31st March 2025

Particulars	Amount (KES)
Balance as per Cash Book	100,000
Add: Cheques issued but not presented	15,000
Add: Interest credited by bank not recorded	2,000
Less: Cheques deposited but not cleared	(10,000)
Less: Bank charges not recorded in books	(1,500)
Balance as per Bank Statement	**105,500**

🔧 9. How to Do BRS in Tally

Tally makes bank reconciliation fast and simple.

📌 Steps:

1. Go to **Gateway of Tally → Banking → Bank Reconciliation**.

2. Select the **bank ledger** you want to reconcile.

3. Tally shows a list of unreconciled transactions.

4. For each transaction, enter the **Bank Date** (date from the actual bank statement).

5. Once the bank date is entered, the transaction is considered reconciled.

6. Save the reconciliation.

Tally then matches your book balance with the actual bank balance automatically.

⚙️ 10. Features of Tally's Banking & BRS Module

- Multiple bank ledgers.

- Automatic reconciliation using imported bank statements (in higher versions).

- Supports cheque printing and tracking.

- Generates BRS Reports.

- Entry of bank charges and interest directly during reconciliation.

📃 11. Common Terms in BRS

Term	Description
Unpresented Cheques	Issued by the business but not yet cleared by the bank.
Uncleared Deposits	Cheques deposited in the bank but not reflected yet.
Bank Charges	Amounts deducted by the bank for services.
Interest on Deposit	Income credited by the bank, not yet recorded in books.

Term	Description
Standing Order	Instruction to the bank to make regular payments.

📌 12. Benefits of Using BRS Regularly

- Avoids mismatch between book and bank balances.

- Builds financial accuracy.

- Supports audit and compliance.

- Helps discover unauthorized or duplicate transactions.

- Keeps bank ledger updated and clean.

🧠 13. Tips for Effective Bank Reconciliation

- Reconcile bank account every month.

- Always use "Bank Date" not "Voucher Date" in Tally.

- Use the **Bank Statement Printout** or **Excel Sheet** to match.

- Record all bank charges and interests.

- If you use post-dated cheques, note them properly.

- Investigate any unusual or old unreconciled entries.

📈 14. Reports in Tally Related to BRS

- **Bank Reconciliation Report** – Shows reconciled/unreconciled transactions.

- **Cash/Bank Book** – View daily bank activity.

- **Ledger Vouchers** – See individual entries for the bank account.

- **Outstanding Receivables/Payables** – Track pending payments that may affect BRS.

✅ 15. Real-Life Example (Scenario)

Let's say you issued a cheque to a supplier worth KES 50,000 on 25th June. You record it in your books. But the supplier presents it to the bank only on 2nd July. On 30th June, your books show a reduced bank balance (after the payment), but your actual bank account still shows the old balance. This creates a **temporary difference** that will be **resolved in July** through reconciliation.

📚 Conclusion

Banking and BRS are essential for maintaining accurate, fraud-free, and up-to-date financial records. Using Tally for banking and reconciliation streamlines the entire process, saves time, and improves reliability in financial decision-making.