



OGUN DIGICLASS

SUBJECT: ACCOUNTING

**TOPIC: BANK RECONCILIATION
STATEMENT**



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Learning Objectives

- Define Bank Statement.
- Define Bank Reconciliation Statement.
- State and explain various reasons causing disagreement between the cash book and Bank Statement.
- Prepare Bank Reconciliation Statement using different method from a given question.

BANK STATEMENT

This is a statement prepared by the bank periodically and sent to an account holder showing transactions between the customer (account holder) and the bank within a period of time.



ACCOUNT NAME: SUNDAY OGORCHUKWU OLISEH

Current Account Statement

Period: 01-Feb-2016 TO 29-Feb-2016

CURRENCY: NGN

ACCOUNT No.:

DATE	DESCRIPTION	DEBIT	CREDIT	VALUE DATE	BALANCE
01-Feb-2016	OPENING BALANCE			01-Feb-2016	
01-Feb-2016	NIP Charge + VAT			01-Feb-2016	
01-Feb-2016	Web Tfr: sunny			01-Feb-2016	
01-Feb-2016	NIP CR/TESSLO CONCEPTS LTD/UBA			01-Feb-2016	
02-Feb-2016	Web Tfr: Rwanda			02-Feb-2016	
02-Feb-2016	Web Tfr: Journey etc			02-Feb-2016	
02-Feb-2016	Web Tfr: salary January			02-Feb-2016	
02-Feb-2016	Web Tfr: daughter and you			02-Feb-2016	
03-Feb-2016	NIP Charge + VAT			03-Feb-2016	
03-Feb-2016	NIP Charge + VAT			03-Feb-2016	
03-Feb-2016	NIP CR/ABIOYE RASHHED192222/ABN			03-Feb-2016	
03-Feb-2016	NIP CR/OLISEH, COSMAS SUNDAY/GTB			03-Feb-2016	
03-Feb-2016	STD ORD/TRF TO THERESA OLISEH/FEB 2016			03-Feb-2016	
22-Feb-2016	ATM Intl Fees - MEDIACITE LIEGE			19-Feb-2016	
22-Feb-2016	ATM Intl-MEDIACITE LIEGE - 108090 - 19/02/2016			19-Feb-2016	
23-Feb-2016	ATM Intl Fees - CHU DE LIEGE LIEGE 1			22-Feb-2016	
23-Feb-2016	ATM Intl Fees - CHU DE LIEGE LIEGE 1			22-Feb-2016	
23-Feb-2016	ATM Intl-CHU DE LIEGE LIEGE 1 - 202712 - 22/02/2016			22-Feb-2016	
23-Feb-2016	ATM Intl-CHU DE LIEGE LIEGE 1 - 2028E2 - 22/02/2016			22-Feb-2016	
26-Feb-2016	InternetBanking Transfer Charge Feb 2016			26-Feb-2016	
29-Feb-2016	Acct Maint. Fee + VAT			29-Feb-2016	
TOTALS			0.00		
TOTAL (CLEARED + UNCLEARED)			0.00		

PURPOSE OF BANK STATEMENT



To reduce the incident of fraud to its minimum.

To inform the customer of the transactions the takes place.

Helps the customer to know the position of his finance with the bank.

To provide the customer with a continuous and permanent record of his account

Date		Dr	Cr	Balance
		N	N	N
Jan 1	Balance b/f			7,000
Jan 5	Cheque		3,080	10,170
Jan 14	Segun	2,500		7,670
Jan 24	Cheque		1,400	9,070
Jan 27	Credit Transfer		500	9,570
Jan 29	Standing Order	1,750		7,820
Jan 31	Bank Charges	200		7,620
Jan 31	Dividend		1,000	8,620



BANK RECONCILIATION

This is a statement that is prepared by the account holder in order to reconcile and harmonizes the differences between the cash book and bank statement balances.



**FACTORS AND
REASONS
CAUSING
DISAGREEMENT
BETWEEN THE
CASH BOOK
AND BANK
STATEMENT
BALANCES**

- 1.Unpresented
cheques
- 2.Uncredited cheque
- 3.Dishonoured
cheque
- 4.Bank charges



- 5. Standing order
- 6. Credit transfers
- 7. Dividend
- 8. Direct debit
- 9. Under casting of receipt side of cash book

Standing Order Template

To the Manager

I/we hereby authorise and request you to debit my/our

Account Name*	
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Account Details

Sort Code	Account Number	Amount	Frequency
		€	Monthly

Beginning Date	End Date	Number of Payments

And Credit

The Institute of Incorporated Public Accountants, at Allied Irish Bank, The Plaza, Stillorgan, Co. Dublin

Sort Code	Account Number
93-35-10	15528005

Quoting Reference

	(Your Name)
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Signed

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10. Overcasting of receipt side of cash book

11. Under casting of payment side of cash book

12. Overcasting of payment side of cash book

14. Bank error

TREATMENT/ACCOUNTING ENTRY OF BANK RECONCILIATION STATEMENT

Three basics methods can be used for the presentation of Bank Reconciliation statement. They are:

- Starting with the balance as per cash book.
- Starting with the balance as per bank statement.
- Adjustment of cash book and preparation of bank reconciliation statement.

METHOD ONE: STARTING WITH CASH BOOK BALANCE

	N	N
Balance as per cash book.		XX
Add Unpresented cheques	X	
Dividend	X	
Credit transfers	X	XX
	<hr/>	<hr/>
		XX
Less Uncredited cheques	X	
Bank charges	X	
Dishonoured cheques	X	
Standing of order	X	
	X	XX
	<hr/>	<hr/>
		XX
Balance as per Bank statement		<hr/>

Question

- **Illustration 1:** On 31st July 1993, Ologolo's Cash book showed a debit balance of ₦ 4,000. His statement showed a balance of ₦ 4,270. On comparison the following were found;
 - Cheque issued amounting to ₦ 2,500 had not been presented for payment.
 - The bank rejected cheques amounting to ₦ 140
 - Standing order of ₦ 700 to a club was not taken into consideration.
 - A customer, Segun paid ₦ 170 directly into the bank without any notice to the firm.

- a) Bank charges of ₦ 160 were entered in the bank statement only.
- b) A dividend of ₦ 250 was paid directly into the bank and not recorded in the cash book.
- c) Cheques for ₦ 1,650 were entered into the cash book and paid to the bank but had not been cleared thus not credited.

You are required to prepared the Bank Reconciliation Statement for the month of July 1993.