

1.0 Understand the objective of Bank Reconciliation Statement which is simply to reconcile the bank balance of the Cash Book with the balance in the Bank Statement

2.0 Remember that in the Bank Statement which has the records of the firm. Normally the firm is a creditor to the bank hence the bank records deposits of the firm on the credit side and payments or withdrawals on the debit side

3.0 Terms for us to be familiar with when preparing a bank reconciliation statement

- Unpresented cheques- cheques issued to creditors, but not presented for payment to the firm's bank, till the date of reconciliation
 - Bank lodgements not yet credited-cheques received from debtors but not deposited in the bank account
 - Credit transfer-money directly deposited in the bank by a debtor/customer
 - Direct debit-instructions given to bank to pay an organization directly from the firm's account
 - Standing order-bank pays directly from the firm's accounts, payment like insurance premium, rent, others
 - Dishonored cheques-bank cannot accept the firm's debtors' cheques as the debtors/customers do not have sufficient funds to pay the firm.
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4.0 Learn the STEPS to prepare the ADJUSTED Cash Book and Bank Reconciliation Statement

Step 1: Check opening balances of both Cash Book and Bank Statement to ascertain whether the two balances are the same;

Step 2: Compare the Cash Book's Dr column(receipts) with the Cr column of Bank Statement, tick all common items.

Step 3: Compare the Cash Book's Cr columns(payments) with the Dr column of Bank Statement, tick all common item

Step 4: All items unticked in the Bank Statement will be adjusted in the Cash Book and all items unticked in the Cash Book will be recorded in the Bank Reconciliation Statement

Format 1 : When the Cash Book is on Debit BalanceBank Reconciliation Statement

\$

Debit balance as per Cash Book XXX

Add: Unpresented cheques xxx

Add: Direct receipts like dividends, interest and credit transfer xxx

Less: Direct debits like bank charges, standing order (xxx)

Less: Lodgements not yet credited by bank (xxx)

Balance as per Bank Statement XXX

Format 2 : When the Cash Book is on Overdraft/Credit BalanceBank Reconciliation Statement

\$

BANK OVERDRAFT balance as per Cash Book XXX

LESS: Unpresented cheques xxx

LESS: Direct receipts like dividends, interest and credit transfer xxx

ADD: Direct debits like bank charges, standing order (xxx)

ADD: Lodgements not yet credited by bank (xxx)

Balance as per Bank Statement XXX

Note that Format 1 and 2 is opposite when preparing the Bank Reconciliation
