

Contents

- 6.1 *Meaning, Definition and Utilities of Accounting Documents*
- 6.2 *Meaning, Definition, Need and Importance of Bank Reconciliation Statement.*
- 6.3 *Reasons for difference between Cash Book balance and Pass Book balance.*
- 6.4 *Specimen of Bank Reconciliation Statement.*
- 6.5 *Preparation of Bank Reconciliation Statement.*

Competency Statements

Students can prepare specimen of different Bank Documents.

Students will understand the difference between Cash Book and Pass Book

Students will know the reasons behind the differences in Cash Book balance and Pass Book balance.

Students can prepare Bank Reconciliation Statement competently.

6.1. Meaning, Importance and Utilities of accounting documents.**Introduction:**

Accounting Documents describes all the basic facts of transactions like the amount of transaction, to whom the amount was paid, the purpose of transaction and the date of transaction. This is essential in the process of Book Keeping as it provides evidence that a financial transaction has actually taken place. There has been a drastic change in the functioning of modern banks. Internet and mobile banking play a prominent role in today's business. Payments and receipts of cash through these methods generates instant and automatic proof for both the parties.

But even now a large number of transactions are made by personally visiting the bank. Payments and receipts by cheques and drafts have not lost their significance altogether.

Types of Bank Documents:**1. Pay-in-slip**

Meaning: Pay-in-slip is also known as deposit slip. This slip is filled when the account holder deposits cheque or cash into his bank account. When cash is deposited account holder gives his account number, date of deposit and details of cash deposited. Similarly, when a cheque is deposited details of cheque, account number, name of drawee bank, amount etc are filled.

Pay-in-slip is divided into two parts. The right hand side is kept with the bank for their record. The left hand side known as counterfoil is duly stamped, signed and dated by the receiving clerk. This is returned back to the account holder which serves as acknowledgement.

Importance and Utilities:

- Facilitates the account holder to deposit cash or cheque to be credited in his account.
- Entries in respect of cash or cheque deposited into bank are recorded in the books of accounts on the basis of pay-in-slip.
- Counterfoil or acknowledgement acts as legal evidence.

Contents:

(same contents appear on the left hand side and right hand side of the pay-in-slip)

- Name of Bank, branch and address.
- Date of transaction.
- Amount deposited in figures and words. (Cash/cheque)
- Name of account holder.
- Account Number.
- Type of account.
- Details of denomination, i.e. number of ₹ 100, ₹ 200, ₹ 500, ₹ 2000 notes etc. deposited.
- Details of cheque.
- Details of drawee bank.
- PAN card number if the amount of deposit is more than ₹ 50,000.

Format : Pay-in-slip

Fig. 6.1 (a)

In modern times, a cheque along with duly filled pay-in-slip can be simply dropped into the drop box placed in the bank for collection.

2. Withdrawal Slip

Meaning: Withdrawal means removing funds from a bank. Form which is to be filled for withdrawing money from bank is known as withdrawal slip or form. A copy of this document is not available to record the transaction in the books of accounts but it is reflected in the Pass Book.

Importance and Utilities:

- This document is used by the account holder within the bank only to withdraw money.
- Account holder signs on the face of the slip and backside of the slip.
- Signature of the account holder is matched with his/her specimen signature recorded in the books of bank thereby avoiding malpractices.

Contents:

- Name of the bank and branch.
- Date of transaction.
- Account holder's name.
- Account number and type.
- Amount in figures and words.
- Signature of the account holder.

If the amount of withdrawal is more than ₹ 50,000 account holder has to submit a photocopy of his PAN card.

A cheque can also be used to withdraw cash from bank by the account holder.

Format :


CASH WITHDRAWAL SLIP / पैसे काढावयाचे चलन / नकद आहर्ता पर्ची	
 बँक ऑफ महाराष्ट्र Bank of Maharashtra एक महाराष्ट्र एक बँक	बँकेतून पैसे काढावयाच्या चलनावरोबर खाते पुस्तिका आवश्यक आहे. कृपया मागे सही करावी. हे चलन म्हणजे चेक नव्हे. केवळ मूल शाखेत वापरण्यासाठी इस निकासी पर्ची के साथ पासबुक का होना जरूरी है। कृपया पिछली और हस्ताक्षर करें। यह आहर्ता पर्ची चेक नहीं है। केवल मूल शाखा में प्रयुक्त हेतु। Pass Book must accompany with this withdrawal. Please sign overleaf This withdrawal slip is not a cheque. Use at home branch only
शाखा/Branch	दिनांक/Date :
कृपया, मूला वा धारकाला ₹. वाहक/स्वतः को ₹.	
Pay Bearer/Self the sum of ₹. debiting	
बचत खाते क्र. बचत खाता क्र. Saving A/c No.	ला नावे टाकून रोख द्यावेत. में नामे डालकर नकद अदा करें।
खातेदाराचे नांव खाताधारक का नाम in Name of A/c.	₹
खातेदाराची स्वाक्षरी खाताधारक के हस्ताक्षर A/c. Holder's Signature	पासकर्ता अधिकारी/निरीक्षक/कर्मचाऱ्याची स्वाक्षरी पासकर्ता अधिकारी/निरीक्षक/कर्मचारी के हस्ताक्षर Signature of Passing Officer/Supervisor/Employee

Fig. 6.1 (b)

Availing banking services through an extensive use of information technology without physically walking into the bank premises is called virtual banking.

3. Bank Pass Book:

Meaning: Pass Book is a copy or extract of ledger account of account holder appearing in the books of bank. In this the bank provides the account holder with the details of all ledger entries appearing in the books of bank. It is a small book given to the account holder to inform him

about the transactions and balances from time to time. Modern times Pass Book is prepared on the basis of computerised accounting system.

Importance and Utilities:

- i) Pass Book gives the balance of an account on a particular date.
- ii) It acts as documentary evidence which can be produced in the court of law in case of disputes.
- iii) It is confirmation that all transactions are made through bank.

Contents:

- i) Name of the bank and branch.
- ii) Address and telephone number of bank.
- iii) Full name of account holder and address.
- iv) Type of account.
- v) Account number and customer ID.
- vi) Photo of account holder.
- vii) IFSC (Indian Financial System Code) It is an alphanumeric code that facilitates electronic funds transfer like IMPS, NEFT and RTGS.
- viii) Columns for date, particulars, cheque number, amount withdrawn, amount deposited, balance, bank officer's signature.

Format:

Pass Book

Date	Particulars	Cheque No.	Amount Withdrawn Dr. ₹	Amount deposited Cr. ₹	Balance (₹)	Signature / initials

Fig. 6.1 (c)

Pass Books appeared in the 18th century, allowing customers to have transaction information in their own hands for the first time. Prior to this, customers had no history of their own deposits and withdrawals. Today bank statements can be viewed on lines.

4. Bank Statement:

Meaning: Businessmen open current account for their business considering the benefits provided by this account. Current account holders enjoy unlimited number of deposits and withdrawals and therefore the number of transactions is large. Businessmen like to know the details of transactions and the bank balance. Therefore, the bank issues a bank statement to them. A bank statement is a summary of financial transactions which have taken place over a given period on a bank account held by account holder. Earlier, bank statements were printed paper statements produced monthly, quarterly or annually. Bank as a matter of service would provide a periodical bank statement. Today with better access to the internet and online banking, bank statement also known as electronic statement can be viewed online, downloaded and printed by the account holder. This reduces the cost of paper and postage.

Importance and Utilities:

- i) Bank statement enables the account holder to know the balance with bank.
- ii) Suitable arrangements for payment can be made.
- iii) It helps businessmen know the time taken for clearance of cheques deposited.
- iv) It helps in preparation of bank reconciliation statement.

Contents:

- i) Details of bank, branch and address.
- ii) Date of transaction.
- iii) Particulars.
- iv) Cheque number.
- v) Withdrawals.
- vi) Deposits.
- vii) Balance.

Format :**Statement of Account**

Bank of India		Current Account		Date: / /20__		
S.B. Road		Statement of Account		Page No.:		
Account type: Institutional				Ledger No.:		
Account						
Date	Particulars	Cheque No.	Amount Withdrawn Dr. ₹	Amount deposited Cr. ₹	Balance	Signature / initials (₹)

Fig. 6.1 (d)**5. Bank Advice:**

Bank advice is a letter sent by the bank to customer / account holder in a prescribed form to inform them about dishonour of cheques deposited for collection, bank charges debited, dishonour of Bills receivable discounted, Bill sent to bank for collection, interest charged and allowed by bank, dividend or interest collected by bank and any other payment made by bank according to the standing instruction given by the customer.

Importance and Utilities:

- i) Businessmen can update his records from time to time on receiving Bank Advice.
- ii) Evidence of transaction made through bank is created.

Contents:

- i) Name and address of bank.
- ii) Date of sending the advice.
- iii) Name, address and account number of customer.
- iv) Particulars of transaction.
- v) Amount to be debited or credited.

Format:

Bank Advice The People's Co-Operative Bank LTD., Pune <div style="text-align: right;">Date: 24 Nov, 2018</div>			
To, M/s Dhanashree Traders, Pune A/c No.- Current A/c 00001234 Sir, Your A/c has been credited/debited as per following details:			
Particulars of transaction	Amount		
	Debit (₹)		Credit (₹)
Your electricity bill is paid as per your instruction, a copy of bill is enclosed	15,000	00	
Total	15,000	00	
Bank Manager			

Fig. 6.1 (a)

SMS alerts and notifications have overtaken bank advice today. Account holder receives SMS on their registered mobile number giving updates of their latest banking transactions.

6.2 Meaning, Definition, Need and Importance of Bank Reconciliation Statement.

Meaning: A businessman maintains a Cash Book with bank column in his ledger, wherein he records all banking transactions. The bank column in his Cash Book represents bank current account. Bank being the other party records these transactions in their ledger known as Pass Book. When businessman deposits money or cheque into bank for collection it is recorded in the Cash Book on the debit or receipt side. Bank records this on the credit or receipt side of Pass Book. Similarly, when businessman issues cheque for making payments, it is recorded on the credit or payment side of Cash Book. Bank records this transaction on the debit side or payment side of Pass Book / bank statement. Thus, whatever is recorded by businessman in the Cash Book is invariably recorded in the Pass Book / bank statement. Ideally then, Cash Book bank balance and Pass Book balance should be the same. The only difference would be that if Cash Book has a debit balance the Pass Book will have a credit balance and vice versa.

In the books of business		In the books of Bank	
Dr.	Cash Book	Cr.	
Dr.	Pass Book (business's A/c)	Cr.	
Receipts (₹)	Payments (₹)	Payments (₹)	Receipts (₹)

Fig. 6.2(a)

Fig. 6.2(b)

But in practice Cash Book bank balance is sometimes different from the Pass Book balance. You will learn about the causes of differences and method of reconciling balance of these two books by preparing bank reconciliation statement. A copy of bank statement is issued to the current account holder periodically by the bank. Bank statement is compared with the Cash Book for analysing the causes of difference in the balance of the two books.

Definition:

“A statement which reconciles the Bank balance as per Cash Book and the balance as per Pass Book showing all causes of difference between the two.”

“A statement showing the causes of disagreement between the balance shown by the bank Pass Book and the balance shown by the Cash Book under the bank column at the end of the specific period or month, is called Bank Reconciliation Statement.”

Need and importance of Bank Reconciliation Statement:

- It explains and clarifies the causes of disagreement between bank balance as per Cash Book and Pass Book.
- It helps in detecting errors and omission made in Pass Book and Cash Book.
- It reduces the chance of fraud by the staff dealing in cash.
- It helps to check whether the bank makes proper entries for banking transactions.
- It helps to have a moral check on the staff of business organisations to keep Cash Book up to date.
- It is an important mechanism of internal check and gives information of cash inflow and outflow.

6.3 Reasons for difference between Cash Book balance and Pass Book balance.

- Time difference.
- Errors and omission made by businessman or bank.

i) Time difference:

Transaction cannot be recorded in the Cash Book and Pass Book at the same time. There is a time gap between recording transaction in the two books. For example, when businessman deposits a cheque into bank for collection, it is a transaction for him and he immediately records it in his Cash Book. On the other hand, bank will record it in Pass Book only after collecting the amount of cheque. At this point of time entry for transaction appears only in Cash Book thereby creating a difference in the balance of the two books which is to be reconciled.

ii) Errors and omission made by bank or businessman:

Differences in balance may also arise due to errors committed by bank or businessman. For example, bank charges debited by bank ₹ 540 is recorded as ₹ 450 in Cash Book. Here the transaction appears in both the books but with wrong amount causing a difference in the balance of the two books.

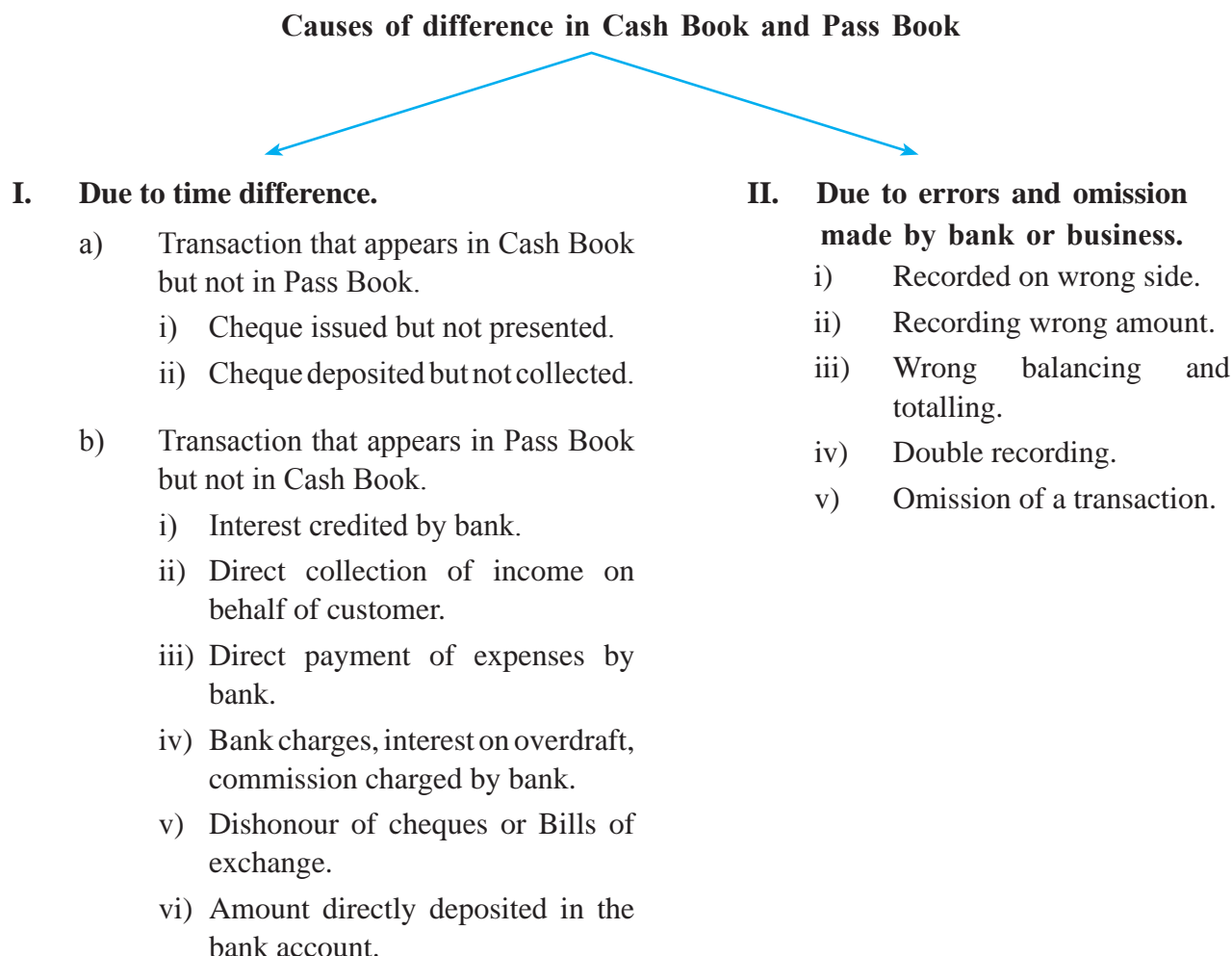


Fig 6.3(a)

I. Due to time difference:

a) Transaction that appears in Cash Book but not in Pass Book.

- i) Cheque issued but not presented:** As soon as a cheque is issued, it is entered on the credit side of the Cash Book but the bank makes no entry for cheque until it is presented for payment. It means if the cheque is not presented for payment up to the date of preparation of bank reconciliation statement, the balance in the Pass Book will be higher than the balance as per Cash Book on that date.
- ii) Cheques deposited / paid into bank but not cleared:** As soon as cheques are received and deposited into the bank they are recorded in the Cash Book on debit side which increase the balance at bank as per Cash Book but bank does not give credit for the cheques deposited until it is cleared and collected by bank. Therefore, a difference will arise on the date of preparation of bank reconciliation statement.

b) Transaction that appears in Pass Book but not in Cash Book.

- i) Interest credited by bank:** If the bank allows interest to customer it credits the customer account and the bank balance as per Pass Book will increase. But customer will make corresponding entry in the Cash Book only when he receives the intimation from the bank. Until then the balance as per Pass Book would be more than the balance as per Cash Book.
- ii) Direct collection on behalf of customer:** As per the standing instructions of the customer, bank can collect interest, dividend, rent etc. directly from the person concerned and credit the customer's account and increase the balance as per Pass Book. But the same will be entered in Cash Book only when the customer receives the statement or intimation of the same from bank. Till then the balance as per Cash Book and bank statement (Pass Book) will differ.
- iii) Direct payment by bank:** As per standing instructions bank can pay certain expenses on behalf of the customer e.g. insurance premium, electricity bill, telephone bill, loan instalments etc. As soon as such payments are made bank debits customer account in bank Pass Book / bank statement but the customer has no information of the same till it is informed to him. Till then balance as per Pass Book / bank statement will be less than balance as per Cash Book.
- iv) Bank charges, interest on overdraft, commission charged by bank:** Sometimes bank charges their customers for various services provided to them. It may be in the form of bank charges or commission. Similarly, bank can charge interest on overdraft facility provided to the customer. Bank debits the customer's account for such facilities time to time. However, the firm will know about these charges, commission etc. only when it goes through the bank Pass Book / bank statement. So, on the date of reconciliation balance as per Pass Book will be less than that of Cash Book.
- v) Dishonour of cheques or Bill of exchange:** When cheque or Bill of exchange discounted with the bank is dishonoured, the same is debited in the Pass Book / bank statement but not given effect in the Cash Book until intimation is received. Similarly, when customer makes the payment by cheque and if it is dishonoured, bank credits the same in Pass Book / bank statement to cancel the earlier effect of cheque but will not give effect of dishonour of cheque in the Cash Book until the intimation is received from bank. Thus, the balance differs.
- vi) Amount directly deposited in the bank account :** There are instances when debtors directly deposit money in businessman's bank account. Businessman is not aware of this transaction till he receives the intimation in bank statement. In this case bank records the receipt in customers account but the same is not recorded in the businessman's Cash Book. As a result, the balance shown in bank Pass Book will be more than the balance shown in Cash Book.

IMPS (Immediate Payment Service) is an instant payment interbank electronic funds transfer system in India. When an account holder needs to transfer funds immediately, IMPS can be used because this service is available 24/7 throughout the year including bank holidays.

NEFT(National Electronic Funds Transfer) is suitable for small money transfers(less than ₹ 2 Lakhs) and RTGS (Real Time Gross Settlement) is suitable for larger money transfers (greater than ₹ 2 Lakhs).

II. Due to errors and omission made by bank or businessman:

Sometimes bank may commit errors while recording the transactions in the Pass Book / bank statement which may disagree with the balance as per Cash Book and Pass Book. For e.g.

- i) Recorded on wrong side.
- ii) Recording wrong amount.
- iii) Wrong balancing and totalling.
- iv) Double recording.
- v) Omission of a transaction.

6.4 Specimen of Bank Reconciliation statement.

Bank Reconciliation Statement

As on _____

Particulars	Amount (₹)	Amount (₹)
Bank balance / Overdraft as per Cash Book / Pass Book		xxx
Add: Reasons which would increase balance of the other book		
1.	xxx	
2.	xxx	xxx
Less : Reasons which would decrease balance of the other book		
1.	xxx	
2.	xxx	
3.	xxx	xxx
Bank balance / Overdraft * as per Pass Book / Cash Book		xxx

Fig. 6.4 (a)

* Balance becomes overdraft when answer is with negative (–) sign and vice versa.

Alternate Presentation.

Bank Reconciliation Statement can be prepared in alternative method. In this method two columns are prepared to record the amount. One column is for recording reasons that increase balance (plus items) and the other is for recording reasons that reduce the balance (minus items).

Debit balance of Cash Book is written in plus column.

Credit balance of Cash Book or overdraft is written in minus column.

Debit balance of Pass Book or overdraft is written in minus column.

Credit balance of Pass Book is written in plus column.

The two columns are then totalled and the difference is ascertained. This difference is balance or overdraft as per Cash Book or Pass Book.

Bank Reconciliation Statement

As on _____

Particulars	Amount (₹)	Amount (₹)
Bank balance / Overdraft as per Cash Book / Pass Book		
Add: Reasons which would increase balance		
1.		
2.		
3.		
Less : Reasons which would decrease balance of the other book		
1.		
2.		
Bank balance / Overdraft * as per Pass Book / Cash Book		xxx

Fig. 6.4 (b)

6.5 Preparation of Bank reconciliation Statement.

Procedure for finding the causes of difference and effects thereof:

When there is a difference between balance as per Pass Book and Cash Book following steps are required to find the causes of difference-

1. Compare the items appearing on the debit side of the Cash Book with those on the credit side of the Pass Book (deposit column) and tick mark those items appearing in both the books.
2. Compare the items appearing on the credit side of the Cash Book with those on the debit side of the Pass Book (withdrawal column) and tick mark those items appearing in both the books.
3. Make a list of the items that are unticked in both the books. These are the items responsible for the difference in the balance shown by Cash Book and Pass Book.
4. Analyse the causes of difference.
5. Select the date for preparation of Bank Reconciliation Statement. Bank reconciliation statement can be prepared on any date. The date for the preparation of the Bank Reconciliation Statement is generally chosen as the last day of the month because Cash Book balance and Pass Book balance are readily available on that date.
6. Prepare Bank Reconciliation Statement by taking balance as per Cash Book or Pass Book as starting point.
7. Adjust the starting point with other balances by adding or subtracting the unticked items as found in step 3. If balance as per Cash Book has been taken as the starting point, then balance as per Cash Book is to be adjusted according to entries passed in the Pass Book or vice versa.

8. Apply the rule of plus and minus.
- When balance as per Cash Book is given
 - Add credits in Cash Book or in Pass Book.
 - Less debits in Cash Book or in Pass Book.
 - When balance as per Pass Book is given
 - Add debits in Cash Book or in Pass Book.
 - Less credits in Cash Book or in Pass Book.
 - When overdraft as per Cash Book is given
 - Add debits in Cash Book or in Pass Book.
 - Less credits in Cash Book or in Pass Book.
 - When overdraft as per Pass Book is given
 - Add credits in Cash Book or in Pass Book.
 - Less debits in Cash Book or in Pass Book.

Reasons for discrepancy	When bank balance is given as per Cash Book		When bank balance is given as per Pass Book		When overdraft balance is given as per Cash Book		When overdraft balance is given as per Pass Book	
	Dr.	Bal	Cr.	Bal	Cr.	Bal	Dr.	Bal
1. Cheque deposited into bank but not credited.		(-)		(+)		(+)		(-)
2. Cheque issued but not presented for payment.		(+)		(-)		(-)		(+)
3. Bank charges debited in Pass Book.		(-)		(+)		(+)		(-)
4. Interest credited in Pass Book only		(+)		(-)		(-)		(+)
5. Interest debited in Pass Book only.		(-)		(+)		(+)		(-)
6. Payments made by the bank recorded in Pass Book only.		(-)		(+)		(+)		(-)
7. Direct payment by customer in bank recorded in Pass Book.		(+)		(-)		(-)		(+)

8. Bills receivable discounted with bank being dishonoured, recorded in Pass Book only.	(-)	(+)	(+)	(-)
9. Cheque deposited into bank being dishonoured, nor recorded in Cash Book.	(-)	(+)	(+)	(-)

Fig. 6.5 (a)

A. When extract of Cash Book and Pass Book is given for a common period:

When extracts are given for common period the following points must be considered.

- Uncommon items are to be considered.
- The opening balance of Cash Book and Pass Book.

Items that create difference between the balance as per Cash Book and as per Pass Book can be ascertained by comparing the two books. Entries appearing in both the books in the same period do not create any difference in the balance of the two books, thus are to be ignored. The items which appear in Cash Book but does not appear in Pass Book and vice versa will only create difference in the balance of the two books. These are entered in the Bank Reconciliation Statement.

Illustration 1.

Ledger of Businessman					
Dr.			Cr.		
Cash Book (Bank column only)					
Date	Receipts	Amount (₹)	Date	Payments	Amount (₹)
2019 Apr.			2019 Apr.		
01	To Balance b/d	✓ 15,600	05	By Salaries	✓ 4,500
05	To Anand	✓ 5,200	09	By Ramlal Bros.	✓ 6,000
08	To Cash	✓ 4,000	15	By Atul and Sons.	2,600
15	To Mohan	7,100	25	By Raman and Co.	✓ 3,220
28	To Deepak	6,800	30	By Balance c/d	22,380
		38,700			38,700
May					
1	To Balance b/d	22,380			

In the books of Bank

Dr.	Pass Book				Cr.
Date	Payments	Amount (₹)	Date	Receipts	Amount (₹)
2019 Apr.			2019 Apr.		
08	To Salaries	✓ 4,500	01	By Balance b/d	✓ 15,600
18	To Ramlal Bros.	✓ 6,000	08	By Cash Deposited	✓ 4,000
22	To Insurance Premium	6,500	10	By Anand	✓ 5,200
29	To Raman and Co.	✓ 3,220	14	By Dividend	2,000
30	To Bank Charges	800			
30	To Balance c/d	5,780			
		26,800			26,800
			May		
			1	By Balance b/d	5,780

Find out the reasons for difference in the balance of the two books. Prepare Bank reconciliation Statement as on 30th April 2019:

- i) When balance as per Cash Book is given.
- ii) When balance as per Pass Book is given.

Solution: On comparing the Cash Book balance with Pass Book balance it can be noted that items appearing in both the books are given a (✓) tick mark. these do not create any difference in the balance of the two books and are to be ignored. Items that are appearing in any one of the Book only is given () 'cross mark', these are the reasons which will create difference in the balance of the two Books which are to be added or deducted in Bank Reconciliation Statement.

On comparing debit side (receipt) of Cash Book with credit side (receipt) of Pass Book it is found that: -

- i) Cheques received from Mohan ₹ 7,100 and Deepak ₹ 6,800 is deposited into the bank for collection but not yet collected by bank.
- ii) Dividend ₹ 2,000 collected by bank does not appear in the Cash Book.

On comparing credit side (payment) of Cash Book with debit side (payment) of the Pass Book it is found that :-

- i) Cheque ₹ 2,600 issued to Atul and Sons has not been presented for payment.
- ii) Bank has paid insurance premium ₹ 6,500 for which no entry has been made in cash book.
- iii) Bank has debited bank charges ₹ 800 which does not appear in Cash Book.

These discrepancies will appear in the Bank Reconciliation Statement as under :-

i) When balance as per Cash Book is given:

Bank Reconciliation Statement
As on 30th April 2019

Particulars	Amount (₹)	Amount (₹)
Balance as per Cash Book		22,380
Add : 1. Dividend collected by bank appearing in Pass Book only	2,000	
2. Cheques issued but not presented for payment Atul and Sons	2,600	4,600
		26,980
Less : 1. Cheques deposited but not yet collected Mohan ₹ 7,100 Deepak ₹ 6,800	13,900	
2. Insurance premium paid by bank does not appear in Cash Book	6,500	
3. Bank charges appearing in Pass Book only	800	21,200
Bank balance as per Pass Book		5,780

ii) When balance as per Pass Book is given:

Bank Reconciliation Statement
As on 30th April 2019

Particulars	Amount (₹)	Amount (₹)
Balance as per Pass Book		5,780
Add : 1. Cheques deposited but not yet collected Mohan ₹ 7,100 Deepak ₹ 6,800	13,900	
2. Insurance premium paid by bank appears in Pass Book	6,500	
3. Bank charges debited in Pass Book only	800	21,200
		26,980
Less : 1. Cheques issued but not presented for payment Atul and sons	2,600	
2. Dividend collected by bank and credited in Pass Book only	2,000	4,600
Bank balance as per Cash Book		22,380

Note: When we start with the Cash Book balance, we arrive at Pass Book balance and when we start with Pass Book balance, we arrive at Cash Book balance.

A business can prepare Bank Reconciliation Statement with Cash Book balance or Pass Book balance.

B. When extract of Cash Book and Pass Book is given for different periods:

When extract is given for uncommon period, consider only common items appearing in both the books. Common items only create discrepancies in the balance of the two books which are to be adjusted in the Bank Reconciliation Statement.

Illustration 2

In the books of _____					
Dr.	Cash Book (Bank column only)				Cr.
Date	Receipts	Amount (₹)	Date	Payments	Amount (₹)
2019 Jan.			2019 Jan.		
01	To Balance b/d	30,000	01	By Purchases	15,000
05	To Deepa	22,500	04	By Kuldeep	21,000
08	To Gita	7,500	06	By Advertisement	13,500
10	To Sangeeta	✓ 75,000	15	By Hemant	✓ 19,500
12	To Rucha	51,000	21	By Pravin	✓ 9,900
19	To Shruti	✓ 24,000	26	By Machinery	23,100
			29	By Vidya	✓ 27,000
			31	By Balance c/d	81,000
		2,10,000			2,10,000

In the books of Bank					
Dr.	Pass Book				Cr.
Date	Payments	Amount (₹)	Date	Receipts	Amount (₹)
2019 Feb.			2019 Feb.		
06	To Hemant	✓ 19,500	01	By Balance b/d	38,400
09	To electricity bill	1,050	01	By Sangeeta	✓ 75,000
09	To Pravin	✓ 9,900	05	By Piyush	15,000
10	To Vidya	✓ 27,000	07	By Arijit	9,000
11	To Nishant	1,410	09	By Shruti	✓ 24,000

Prepare Bank Reconciliation Statement as on 31st Jan 2019.

Solution: On comparing the Cash Book balance with Pass Book balance it can be noted that items appearing in both the books are given a (✓) mark. These will create a difference in the balance of two books and will appear in Bank Reconciliation statement.

Extract of Cash Book and Pass Book in the illustration is for different periods i.e. Jan. 2018 and Feb. 2018.

On comparing the receipt side of Cash Book with receipt side of Pass Book and payment side of Cash Book with payment side of Pass Book the following reasons for discrepancies are found.

- i) Cheques deposited into bank for collection but not yet collected by bank are:
Sangeeta ₹ 75,000 Shruti ₹ 24,000
- ii) Cheques issued but not presented for payment are:
Hemant ₹ 19,500
Pravin ₹ 9,900
Vidya ₹ 27,000

Bank Reconciliation Statement
As on 31st Jan, 2019

Particulars	Amount (₹)	Amount (₹)
Balance as per Cash Book		81,000
Add : 1. Cheques issued but not presented for payment		
Hemant	19,500	
Pravin	9,900	
Vidya	27,000	56,400
		1,37,400
Less : 1. Cheques deposited but not collected by bank		
Sangeeta	75,000	
Shruti	24,000	99,000
Bank balance as per Pass Book		38,400

C. When bank balance as per Cash Book / favourable balance as Per Cash Book / debit balance as per Cash Book is given:

Illustration 3

On 31st March 2019 the Cash Book of Mr. Arvind showed a bank balance of ₹ 57,400, but Pass Book showed a different balance. On comparing the Cash Book with the Pass Book the following discrepancies were noted:

- i) Cheque of ₹ 6,350 deposited into bank but was not yet collected by bank.
- ii) Bank paid our electricity bill ₹ 9,700 which was not recorded in the Cash Book.
- iii) Cheque issued to our supplier ₹ 15,100 was not presented for payment up to 31st March 2019.
- iv) Interest on investment ₹ 8,800 was collected by bank was not recorded in Cash Book.
- v) Bank charges ₹ 650 was debited in Pass Book.
- vi) Mr. Tanmay our debtor directly deposited ₹ 12,000 into our bank account on 28th March 2019, which was not entered in Cash Book.

Prepare a Bank Reconciliation Statement as on 31st March 2019.

In the books of Mr. Arvind
Bank Reconciliation Statement
As on 31st March 2019

Particulars	Amount (₹)	Amount (₹)
Balance as per Cash Book		57,400
Add : 1. Cheques issued but not yet presented for payment	15,100	
2. Interest on investment collected by bank not recorded in Cash Book	8,800	
3. Direct deposit made by debtor not recorded in Cash Book	12,000	35,900
		93,300
Less : 1. Cheques deposited but not yet collected by bank	6,350	
2. Electricity bill paid by bank not recorded in Cash book	9,700	
3. Bank charges debited in Pass Book only	650	16,700
Bank balance as per Pass Book		76,600

D. When bank balance as per Pass Book / favourable balance as per Pass Book / credit balance as per Pass Book is given.

Illustration 4.

From the following details find out the bank balance as per Cash Book of Mr. Anurag as on 30th June 2019.

- i) Bank balance as per Pass Book ₹ 14,000.
- ii) Two cheques of ₹ 8,900 and ₹10,700 were issued on 25th June 2019, out of which only one cheque of ₹8,900 was presented for payment before 30th June 2019.
- iii) Cheques of ₹ 16,400 were deposited but only one cheque of ₹ 6,400 was cleared by bank on 28th June 2019.
- iv) Cash of ₹5,500 withdrawn from bank for personal use was not recorded in the Cash Book.
- v) ₹ 350 bank incidental charges debited to Mr. Anurag's account, is not recorded in Cash Book.
- vi) There was a debit in Pass Book of ₹ 7,500 in respect of a cheque dishonoured on 30th June 2019.
- vii) Interest ₹ 425 was credited in Pass Book only.

In the books of Mr. Anurag
Bank Reconciliation Statement
As on 30th June 2019

Particulars	Amount (₹)	Amount (₹)
Balance as per Pass Book		14,000
Add : 1. Cheques deposited but not cleared by bank	10,000	
2. Cash withdrawn from bank for personal use not recorded in Cash Book	5,500	
3. Incidental charges debited in Pass Book only	350	
4. Cheque dishonoured debited in Pass Book only	7,500	23,350
		37,350
Less : 1. Cheques issued but not presented for payment	10,700	
2. Interest credited in Cash Book only	425	11,125
Bank balance as per Cash Book		26,225

E. When overdraft as per Cash Book / unfavourable balance as per Cash Book / credit balance as per Cash Book is given.

Illustration 5.

Cash Book of Kunal showed an Overdraft of ₹ 36,280 as on 31st July 2019. On comparing his Cash Book and Pass Book following differences were found:

- i) An amount of ₹ 18,700 was directly paid into bank by our customer Manish, was not recorded in Cash Book.
- ii) Cheque of ₹ 18,900 deposited in the bank, was collected and credited by bank but was entered in Cash Book as ₹ 19,800.
- iii) Cheques issued for salary to staff ₹ 25,000 on 27th July 2019 was presented for payment only on 4th Aug 2019.
- iv) Cash ₹ 20,000 withdrawn from ATM for office use was not recorded in Cash Book.
- v) Debit side of Cash Book, bank column was overcast by ₹ 100.
- vi) As per standing instruction bank paid our office rent ₹ 19,500.
- vii) Commission collected by bank ₹ 3,750 on behalf of us was not recorded in Cash Book.

Prepare Bank Reconciliation Statement as on 31st July 2019.

Solution :

In the books of Kunal
Bank Reconciliation Statement
As on 31st July 2019

Particulars	Amount (₹)	Amount (₹)
Bank Overdraft as per Cash Book		36280
Add : 1. Cheque deposited and collected by bank but was debited in Cash Book with more amount	900	
2. Cash withdrawn from ATM for office use not recorded in Cash Book	20,000	
3. Debit side of Cash Book, bank column was overcast	100	
	19,500	40,500
4. Office rent paid by bank appears in Pass Book only		76,780
Less : 1. Direct deposit made by customer into bank not recorded in Cash Book	18,700	
2. Cheques issued but not presented for payment	25,000	
3. Commission collected and credited by bank only	3,750	47,450
Bank Overdraft as per Pass Book.		29,330

Alternate Method :

Bank Reconciliation statement can also be prepared with two columns of plus (+) and Minus (–) as follows :

Bank Reconciliation Statement
As on 31st July 2019

Particulars	Plus items Amount (₹)	Minus items Amount (₹)
Bank Overdraft as per Cash Book		36,280
1. Direct deposit made by customer not recorded in cash book	18,700	
2. Cheque deposited and collected by bank but was debited in cash balance with wrong amount		900
3. Cheques issued but not presented for payment	25,000	
4. Cash withdrawn from ATM not recorded in Cash Book		20,000
5. Debit side of Cash Book was overcast		100
6. Office rent paid by bank appears in Pass Book only		19,500
7. Commission collected by bank appears in Pass Book only	3,750	
8. Bank overdraft as per Pass Book	29,330	
	76,780	76,780

F. When Overdraft as per Pass Book / unfavourable balance as per Pass Book / debit balance as per Pass Book is given:

Illustration 6.

Prepare Bank Reconciliation Statement from details given below, to find out balance as per Cash Book of Mr. Bhuvaneshwar as on 31st Oct 2018.

- i) Pass Book of Mr. Bhuvaneshwar shows an overdraft of ₹ 53,970.
- ii) Bank wrongly credited Mr. Bhuvaneshwar's account with ₹ 17,070.
- iii) Bank paid annual subscription to Chamber of Commerce ₹ 6,000 on Mr. Bhuvaneshwar's standing order which was not recorded in Cash Book.
- iv) Payment side, bank column of Cash Book was under cast ₹ 350.
- v) Interest on overdraft charged by bank was ₹ 1,530.
- vi) Cash deposit of ₹ 23,000 on 31st Oct 2018 was not recorded in the Pass Book.
- vii) Cheques issued but not presented to bank for payment ₹ 40,000.

Solution:

In the books of Mr. Bhuvaneshwar

Bank Reconciliation Statement

As on 31st Oct 2018

Particulars	Amount (₹)	Amount (₹)
Bank Overdraft as per Pass Book		53,970
Add : 1. Wrong credit given by bank in Pass Book	17,070	
2. Cheques issued but not presented to bank for payment	40,000	57,070
		1,11,040
Less : 1. Annual subscription of Chamber of Commerce paid by bank not recorded in Cash Book	6,000	
2. Payment side of Cash Book bank column was undercast	350	
3. Interest on overdraft debited in Pass Book only	1,530	
4. Cash deposit was not recorded in Pass Book	23,000	30,880
Bank Overdraft as per Cash Book		80,160

Illustration 7.

On 31st March 2018 bank Pass Book of Mr. Rajiv showed a credit balance of ₹ 6,300 but Cash Book showed a different balance. On comparing the two books the following differences were noticed.

- i) Cheques sent to bank for collection ₹ 85,000 on 25th March 2018 but a cheque of ₹ 60,000 was only cleared by bank before 31st March 2018.
- ii) Out of cheques issued ₹ 58,500, cheques of ₹ 48,500 were not presented for payment before 31st March 2018.
- iii) A Bill of Exchange for ₹ 4,000 discounted with the bank was dishonoured on 30th March 2018. Intimation of the same was received on 5th April 2018.
- iv) Interest allowed by bank ₹820 appeared twice in the Cash Book.

- v) Pass Book debit side was overcast ₹ 200.
- vi) Cheque received from Akash ₹ 4,250 deposited into bank for collection was not yet collected. The entry was recorded in the cash column of Cash Book.
- vii) A Bills Payable amounting to ₹ 8,700 paid by bank has not been recorded in the Cash Book.
- viii) Mr. Aditya, our customer directly deposited ₹17,000 into our account through NEFT. It was not recorded in the Cash Book.

Prepare the Bank Reconciliation Statement as on 31st March 2018.

Solution:

In the books of Mr. Rajiv
Bank Reconciliation Statement
As on 31st March 2018

Particulars	Amount (₹)	Amount (₹)
Bank Balance as per Pass Book		6,300
Add : 1. Cheques sent to bank for collection but not yet cleared	25,000	
2. Discounted bill dishonoured does not appear in Cash Book	4,000	
3. Interest allowed by bank appears twice in cash book	820	
4. Pass Book debit side was overcast	200	
5. Bills Payable paid by bank not recorded in cash book	8,700	38,720
		45,020
Less : 1. Cheques issued but not presented for payment	48,500	
2. Direct deposit made by customer not recorded in Cash Book	17,000	65,500
Bank Overdraft as per Cash Book		20,480

Note:

Reason No. vi) will not appear in the bank reconciliation statement. This does not create any difference in the balance of the two books because it has not been recorded in the Bank column of cash-book and it does not appear in the Pass Book too since it has not been collected by bank.

Illustration 8.

The Cash Book of Pankaj shows a credit balance of ₹ 32,490 in the bank column on 30th September 2018. Prepare Bank Reconciliation Statement as on 30th September 2018.

- i) Three cheques of ₹ 8,200, ₹ 11,360 and ₹ 16,440 were deposited into bank but only a cheque of ₹11,360 was credited by bank before 30th September 2018.
- ii) Cheques issued but not encashed before 30th September 2018 was ₹ 93,000.
- iii) Bank charges for issue of cheque book ₹ 250 and SMS alerts ₹ 170 was debited in Pass Book only.

- iv) Mr. Shreyans transferred ₹ 1,23,200 through NEFT but was wrongly debited with ₹ 12,320 in our Cash Book.
- v) Receipt side of Pass Book was undercast by ₹ 1,000.
- vi) Dividend collected and credited by bank ₹ 12,500, was not entered in Cash Book.

Solution:

In the books of Pankaj
Bank Reconciliation Statement
As on 30th September 2018

Particulars	Amount (₹)	Amount (₹)
Bank overdraft as per Cash Book		32,490
Add : 1. Cheques deposited but not yet collected by the bank	24,640	
2. Bank charges for issue of cheque book did not appear in Cash Book	250	
3. SMS alert charges appeared in Pass Book only	170	
4. Receipt side of Pass Book was undercast	1,000	26,060
		58,550
Less : 1. Cheques issued but not yet encashed	93,000	
2. Direct deposit through NEFT was made by customer but lesser amount was debited in cash book	1,10,880	
3. Dividend collected and credited by bank appears in Pass Book only	12,500	2,16,380
Bank balance as per Pass Book		1,57,830

Illustration 9.

On 31st March 2018, Bank Pass Book of Mr. Ravi showed a credit balance of ₹ 16,700.

Prepare Bank Reconciliation Statement with the following information:

- i) Cash of ₹ 8,500 drawn from his savings account has been shown in current account in Cash Book.
- ii) Cheques amounting to ₹ 27,000 were deposited into bank for collection, out of which cheques amounting to ₹ 23,000 only were credited upto 31st March 2018.
- iii) Cheques of ₹ 40,500 were issued on 25th March 2018, of which only one cheque of ₹ 1,500 was presented for payment on 30th March 2018.
- iv) Bill Receivable of ₹ 11,700 which was discounted with the bank was dishonoured on 30th March 2018. The intimation was received on 5th April 2018.
- v) Insurance premium ₹ 14,400 paid by bank appeared twice in the Cash Book.
- vi) Pass Book debit side was overcast by ₹ 300.
- vii) Interest allowed by bank ₹ 800 appeared in the Pass Book only.

Solution:

In the books of Mr. Ravi
Bank Reconciliation Statement
As on 31st March 2018

Particulars	Amount (₹)	Amount (₹)
Bank balance as per Pass Book		16,700
Add : 1. Cheques deposited but not yet collected by the bank	4,000	
2. Discounted bill dishonoured recorded in Pass Book only	11,700	
3. Pass Book debit side was overcast	300	16,000
		32,700
Less : 1. Cash withdrawn from Savings Account wrongly shown in Cash Book under Current Account	8,500	
2. Cheques issued but not presented for payment	39,000	
3. Insurance premium paid by bank recorded twice in Cash Book	14,400	
4. Interest allowed by bank does not appear in cash book	800	62,700
Bank Overdraft as per Cash Book		30,000

Illustration 10.

From the following particulars prepare the Bank Reconciliation Statement as on 31st Jan 2019.

- i) Debit balance as per Cash Book ₹ 48,000.
- ii) Cheque of ₹ 37,000 was deposited and collected by the bank but not recorded in Cash Book.
- iii) Cash deposit of ₹ 26,200 was recorded in cash column of Cash Book.
- iv) Purchased furniture and payment by debit card ₹ 25,000, was not recorded in Cash Book.
- v) Online transfer was made to our creditors account ₹ 26,700 through IMPS, for which no entry was made in Cash Book.
- vi) Telephone bill ₹ 7,250 and electricity bill ₹ 8,250 paid through online banking, was not recorded in the Cash Book.
- vii) Cheque received from Vinod for ₹ 28,600 paid into bank was dishonoured on 27th Jan 2019 but advice was received only on 4th Feb 2019.

Solution:

Bank Reconciliation Statement
As on 31st Jan 2019

Particulars	Amount (₹)	Amount (₹)
Bank balance as per Cash Book		48,000
Add : 1. Cheques deposited and collected by the bank but not recorded in Cash Book	37,000	
2. Cash deposit wrongly recorded in cash column of Cash Book	26,200	63,200
		1,11,200
Less : 1. Payment made by debit card not recorded in the Cash Book	25,000	
2. Online transfer made through IMPS not recorded in Cash Book	26,700	
3. Online payment for telephone and electricity bills appear in Pass Book only	15,500	
4. Cheque dishonoured not yet entered in cash book	28,600	95,800
Bank Balance as per Pass Book		15,400

Reconciliation of Debtors and Creditors:

Reconciliation helps us to identify and fix accounting errors. Reconciliation is carried out to verify the completeness and accuracy of a particular part of accounting records by comparing it with another record. Reconciliation Statement can also be prepared for vendor reconciliation i.e. reconciliation of debtors and creditors. Debtors represent money owed to us and creditors represent money owed by us. Here we compare debtor's ledger in our books with our ledger in the debtor's book and reconcile the differences if any.

Procedure for Reconciliation of Debtors and Creditors:

1. Request debtor to give our ledger account as appearing in their books.
2. Prepare debtor's ledger account in our book in excel.
3. Copy paste both in one excel file.
4. Compare and match entries appearing in both the ledger accounts.
5. Prepare list for entries which are not matching.
6. Group similar types of differences and give heading.
7. Prepare vendor reconciliation statement with the differences.

Activities:

- The following Bank Reconciliation Statement is prepared by our accountant Mr. New on 28th Feb 2018 with balance as per Cash Book. Pass Book balance on that date was ₹ 1,00,000. There are some mistakes in the statement. Can you correct it for us?

Bank Reconciliation Statement**As on 28th Feb 2018**

Particulars	Amount (₹)	Amount (₹)
Bank Balance as per Cash Book		1,24,100
Add : 1. Cheque deposited but not cleared by bank	30,000	
2. Cheque issued but not presented to bank for payment	28,000	
3. Insurance premium paid and debited in Pass Book only	5,000	
4. Interest collected and credited in Pass Book only	3,000	66,000
		1,90,100
Less : 1. Bank charges debited in Pass Book only	1,000	
2. Dividend collected by bank recorded in Pass Book only	4,000	
3. Cheque deposited and realised but wrongly entered twice in Cash Book	24,000	
4. Cheque issued and encashed but wrongly entered in Cash Book as ₹ 9,800 instead of ₹ 8,900	900	29,900
Bank Overdraft as per Pass Book		1,60,200

- Visit 2 or 3 banks and collect banking documents like Pay-in-slip, deposit slip etc. and compare the contents.
- Visit any stationery / medical shop near your house and ask them how they prepare their Bank Reconciliation Statement.
- If you have an ATM card take a mini statement and study the details of deposits, withdrawals and balances.
- Visit a bank to find out how many days does it take to collect local and outstation cheques.
- Read the following reasons and identify the cause of difference on the basis of
 - time difference
 - errors made by bank or businessman.
 - Cheques issued for payment but not yet presented to bank.
 - Interest on overdraft debited by bank but not yet recorded in Cash Book.
 - Cheque deposited into bank but not yet collected by the bank.
 - Bank paid insurance premium which was recorded twice in the Cash Book.
 - Cash ₹ 12,300 deposited into bank was recorded as ₹ 13,200 in Cash Book.
 - Interest allowed by bank credited in Pass Book only.

Q.1. Answer in one sentence.

1. Who prepares a bank Pass Book?
2. What is pay-in-slip?
3. What is bank overdraft?
4. What is withdrawal slip?
5. Who sends the bank statement?
6. What does a debit balance in Cash Book represent?
7. Who prepares the Bank Reconciliation Statement?
8. What does debit balance in Pass Book represent?
9. On which side is interest on bank deposit recorded in Pass Book?
10. Why is Bank Reconciliation Statement prepared?

Q.2. Give one word / term / phrase which can substitute each of the following statement:

1. The account on which overdraft facility is allowed by bank.
2. Extract of ledger account of account holder in the books of bank.
3. Alphanumeric code that facilitates electronic funds transfer in India.
4. Statement showing the causes of disagreement between balance of Cash Book and Pass Book.
5. Debit balance in Pass Book.
6. A form which is filled for depositing cash or cheque into bank.
7. Left hand side of Pay-in-slip.
8. Credit balance in Cash Book.
9. A book maintained by trader to record banking transactions.
10. Excess of bank deposits over withdrawals by businessman in bank current account.

Q.3. Do you agree or disagree with the following statements:

1. The bank column of Cash Book represents bank account.
2. Bank statement enables account holder to prepare Bank Reconciliation Statement.
3. Cheques issued for payment but not presented to bank appears in Cash Book only.
4. Bank Reconciliation Statement is prepared only during the year end.
5. Bank Reconciliation Statement is similar to bank statement.

6. Bank balance as per Cash Book is always equal to bank balance as per Pass Book.
7. Bank advice is sent by the businessman to bank.
8. Pay-in-slip is used for depositing cheque into bank.
9. Difference in Cash Book balance and Pass Book balance may arise due to errors committed while recording.
10. Payment and receipt of cash through internet banking generates automatic proof.

Q.4. Select the most appropriate alternative from those given and rewrite the following statements:

1. Overdraft means _____ balance of Cash Book.
a) closing b) debit c) opening d) credit
2. When a cheque is deposited and collected by bank Pass Book is _____.
a) dishonoured b) debited c) credited d) written.
3. A _____ is a summary of financial transactions that take place over a period of time on a bank account.
a) withdrawal slip b) bank advice c) bank statement d) Pay-in-slip.
4. Debiting an entry in Cash Book _____ cash balance.
a) increases b) decreases c) nullifies d) none of the above.
5. Bank Reconciliation Statement is prepared by _____.
a) student b) businessman c) bank d) none of the above.
6. Bank balance as per Pass Book means _____ balance of Pass Book.
a) credit b) opening c) debit d) closing.
7. Bank gives overdraft facility to _____ account holder.
a) savings b) recurring c) current d) fixed.
8. Debit balance as per Cash Book is also known as _____ balance.
a) favourable b) overdraft c) abnormal d) unfavourable.
9. When extracts of Cash Book and Pass Book are given for uncommon periods, only _____ items are considered for preparation of Bank Reconciliation Statement.
a) uncommon b) normal c) favourable d) common.
10. When extract of Cash Book and Pass Book are given for common period, only _____ items are considered for preparation of Bank Reconciliation Statement.
a) uncommon b) common c) favourable d) unfavourable.

Q.5. Complete the following statements :

1. Payments credited in Cash Book are _____ in Pass Book.
2. While preparing Bank Reconciliation Statement only _____ column of Cash Book is considered.
3. Cheques issued to creditors appear first in _____ book.
4. A statement showing the reasons for difference in Cash Book balance and Pass Book balance is known as _____ .
5. Overcast on receipt side of Pass Book means _____ in Pass Book balance.
6. Online transfer made to our creditors appear on the _____ side of Cash Book.
7. Interest on overdraft charged by bank is _____ in Pass Book.
8. Normally the Cash Book shows debit balance and Pass Book shows _____ balance.
9. The form filled for withdrawing cash from bank is known as _____ .
10. A businessman can update his records on receiving _____ .

Q.6. State whether the following statements are True or False with reasons :

1. Cheques deposited into bank but not yet cleared appears in the Pass Book only.
2. Direct deposit made by debtors into businessman's bank account is recorded on the credit side of Pass Book.
3. Businessman can prepare Bank Reconciliation statement only with Cash Book Balance.
4. When overdraft as per Cash Book is given, bank charges debited in Pass Book only, is to be added.
5. Bank Statement is sent by Bank to businessman.

Q.7. Draft the following specimen with imaginary Name, Account number, Amount.

1. Bank Statement
2. Pay-in-slip
3. Withdrawal slip
4. Bank Advice
5. Pass Book

Q.8. Correct and rewrite the following statements.

1. The form filled for depositing cash or cheque into bank is known as Pass Book.
2. Bank Reconciliation Statement is prepared by Bank.
3. Debit balance as per Pass Book is known as favourable balance.
4. When a cheque is deposited into Bank it is credited in Cash Book.
5. When extracts are given for common period only common items are to be considered.

Q.9. Complete the following table.

Reasons	When Normal balance as per Cash Book is given Add/Less	When Normal balance as per Pass Book is given Add/Less
1) Interest debited in Pass Book only.		
2) Direct deposit made by customer in bank recorded in Pass Book	(+)	
3) Cheque deposited into bank but not yet collected by bank		
4) Cheque deposited into bank is dishonoured		(+)
5) Cheque issued but not presented for payment.		(-)

PRACTICAL PROBLEMS

1. Following is the extract of Cash Book (Bank Column only) and Pass Book. Prepare Bank Reconciliation Statement as on 31st Oct. 2018.

In the books of _____

Dr.

Cash Book (Bank column only)

Cr.

Date	Receipts	Amount (₹)	Date	Payments	Amount (₹)
2018 Oct			2018 Oct		
01	To Balance b/d	10,000	07	By Tejas	12,000
05	To Aparna	5,000	10	By Anil	3,000
08	To Apoorva	6,000	15	By Bank charges	200
12	To Omkar	3,000	17	By Advertisement	2,000
20	To Sunil	4,000	20	By Drawings	1,000
			31	By Balance c/d	9,800
		28,000			28,000

In the books of Bank

Dr.	Pass Book				Cr.
Date	Payments	Amount (₹)	Date	Receipts	Amount (₹)
2018 Oct.			2018 Oct.		
07	To Interest	500	01	By Balance b/d	10,000
10	To Insurance premium	2,000	10	By Apoorva	6,000
13	To Anil	3,000	22	By Sunil	4,000
20	To Telephone bill	2,000	24	By Raju	2,000
20	To Drawings	1,000	27	By Swanand	3,000
31	To Balance c/d	16,500			
		25,000			25,000

2. From the following extract of Cash Book and Pass Book prepare Bank Reconciliation Statement as on 31st March 2019.

In the books of _____

Dr.	Cash Book (Bank column only)				Cr.
Date	Receipts	Amount (₹)	Date	Payments	Amount (₹)
2019 Mar.			2019 Mar.		
01	To Balance b/d	79,500	04	By Rent	36,000
04	To Avinash	18,000	06	By Mansi	20,100
09	To Dhananjay	25,500	12	By Nikhil	9,600
15	To Meenal	10,800	17	By Drawings	15,000
20	To cash	24,000	24	By Nishant	27,600
27	To Prasad	14,700	31	By Balance c/d	64,200
		1,72,500			1,72,500

In the Books of Bank

Pass Book

Date	Particulars	Withdrawals Dr. ₹	Deposits Cr. ₹	Balance ₹
2019 Apr.				
01	By Balance b/d			86,400
04	By Meenal		10,800	97,200
06	By Prasad		14,700	1,11,900
10	To Salary	24,000		87,900
13	To Nishant	27,600		60,300
18	By Bharat		11,400	71,700
23	To Keshav	6,600		65,100
27	To Mansi	20,100		45,000
30	By Sharvari		18,000	63,000

3. On 31st August 2018 bank Pass Book of Mr. Ravi showed a credit balance of ₹ 33,600, but Cash Book showed a different balance. On comparing the two books following differences were noticed:
1. Cheques paid into the bank but not credited before 31st Aug 2018 amounted to ₹ 24,500.
 2. Direct deposit by customer through NEFT ₹ 33,000 recorded in the Pass Book only.
 3. Cheques issued on 28th Aug 2018 were presented for payment on 5th Sep. 2018 amounted to ₹ 38,800.
 4. A bill receivable for ₹ 15,000 discounted with the bank was dishonoured on 30th Aug 2018. Intimation of the same was received only on 3rd Sep 2018.
 5. Pass Book credit side was overcast ₹ 2,000.
 6. Bank debited ₹ 400 for bank charges in Pass Book, was not recorded in Cash Book.
- Prepare Bank Reconciliation Statement as on 31st August 2018.
4. From the following details prepare Bank Reconciliation Statement as on 31st Dec 2018.
1. Bank overdraft as per Cash Book on 31st Dec 2018 was ₹ 48,450.
 2. Bank charges for SMS alerts ₹ 370 were debited in Pass Book but not recorded in Cash Book.
 3. Interest on overdraft ₹ 2,870 did not appear in Cash Book.
 4. A bill for ₹ 12,000 discounted with bank appears in Cash Book at full amount but bank has deducted ₹ 200 discounting charges.
 5. Cheques issued but not presented for payment before 31st Dec 2018 amounted to ₹ 32,300.
 6. Cheques amounting to ₹ 24,000 deposited into bank but only a cheque of ₹ 8,000 was collected by bank before 31st Dec 2018.
 7. Paid stationary bill ₹ 11,300 by debit card. It was not recorded in Cash Book.
5. From the following particulars prepare Bank Reconciliation Statement as on 30th June 2019.
1. Credit balance as per Pass Book ₹ 20,000.
 2. A cheque for ₹ 3,500 was issued and paid by bank, recorded in Pass Book as ₹ 5,300.
 3. Cheque deposited ₹ 9,700 collected by bank was not recorded in Cash Book.
 4. Payment side of Cash Book was undercast by ₹ 100.
 5. Electricity bill paid by bank ₹ 6,200 was recorded twice in Pass Book.

6. Prepare Bank Reconciliation statement from the following information as on 31st March, 2019.

- 1) Balance as per Cash Book ₹ 10,000.
- 2) Cheque of ₹ 2,000 issued but not presented to Bank for payment.
- 3) Our debtor directly deposited ₹ 3,500 to our Bank account by NEFT, not recorded in the Cash Book.
- 4) Bank paid electricity bill on our behalf ₹ 450 and charged Bank charges ₹ 100.
- 5) Paid ₹1,500 to ABC & company, our supplier by business debit card but recorded in Cash Book as ₹150.
- 6) Bank credited interest on Investment ₹ 500.
- 7) Cheque of ₹ 885 issued and presented to Bank but wrongly entered in the Pass Book as ₹ 865.

7. On 31st January 2018 Bank balance as per Cash Book was ₹40,000 but Pass Book was showing some other balance following were the causes of difference.

- 1) Cheques issued for ₹1,00,000 in January 2018 but cheques of ₹50,000 only presented to Bank for payment before January 31st 2018
- 2) Cheques sent to Bank for collection of ₹2,00,000 out of which cheques of ₹80,000 only credited by Bank in January 2018.
- 3) Following entries were shown in Pass Book in January 2018, but no corresponding entries were made in the Cash Book.
 - i) Payment of ₹6,400 by Bank for electricity Bill by ECS.
 - ii) Interest credited by Bank ₹12,000
 - iii) Bank debited commission ₹1,000 and Bank charges for ₹600.
 - iv) Direct deposit made by customer ₹ 1,000 by NEFT to our account.

Prepare Bank Reconciliation statement as on 31st January, 2018.

8. On January 2018, the Pass Book of Mr. Girish Kumbhar showed a bank balance of ₹14,000. A comparison of the Cash Book with the Pass Book, revealed the following.

- 1) Cheque deposited but not credited by Bank ₹10,000
- 2) Dividend on shares collected by Bank but not recorded in the Cash Book ₹1,000
- 3) Bank paid Insurance premium as per standing instruction by ECS ₹500, no corresponding entry was passed in the Cash Book.
- 4) Bank debited Commission ₹75.
- 5) A debit of ₹900 in respect of cheque dishonoured appears in Pass Book only.
- 6) Cheque of ₹1,500 deposited into Bank wrongly recorded twice in the Cash Book.
- 7) Total cheques of 20,000 issued during the month of January 2018, but cheques of ₹8,000 only were presented for payment in January 2018.

9. Form the following details provided by Prashant enterprises, prepare Bank Reconciliation statement as on 31st March, 2018.

- 1) Overdraft as per Cash Book ₹28,000
- 2) Cheque issued of ₹2,000 and presented to Bank returned dishonoured but the effect of dishonoured is not recorded in the Cash Book.
- 3) Bank debited Bank charges ₹150.
- 4) Bank transferred ₹2,500 to savings account of the proprietor but not recorded in the Cash Book.
- 5) Cheque issued to supplier but not presented to Bank before 21st March 2018, ₹1,600
- 6) Cheques of ₹3,000 and ₹2,000 deposited into Bank but cheque of ₹3,000 only credited by Bank before 31st March 2018.
- 7) Out customer directly deposited ₹1,500 in our Bank account but wrongly recorded in the cash column of the Cash Book.
- 8) Bank debited interest on overdraft ₹750.

10. Prepare Bank Reconciliation Statement as on 31st Dec. 2018

- 1) Debit balance as per Pass Book ₹16,000
- 2) Customer directly deposited in our Bank account by NEFT ₹8,000.
- 3) Cheques deposited into Bank but not credited by Bank ₹10,500
- 4) Pass Book shows debit entry for Bank commission ₹300, not recorded in Cash Book.
- 5) A Bill of Exchange of ₹3,500 discounted with the Bank in December 2018, returned dishonoured in January 2019.
- 6) As per standing instructions Bank paid Telephone bill ₹650, not recorded in Cash Book..
- 7) Cheque of ₹975 deposited into Bank but wrongly recorded on ₹795 in Cash Book.

