**Causes of difference in BRS**

Since two copies are never identical, two record keeping accounts can never be the same. There lie causes of difference in BRS (Bank Reconciliation Statement). It records the causes of difference in BRS and helps in correction. For better accounting, reconciliation records cause of the difference in BRS. Although it seems an easy task, it requires proper attention. Once you rectify the causes of difference in BRS, you are free to handle other business issues.

**Overview**

A bank statement may differ in various terms from cash book prepared by a business firm. However, a rescue operation helps to fill the gaps i.e. Bank Reconciliation Statement. It is not every time necessary that the Bank is responsible for the differences. Sometimes, business firms might make mistakes.



The differences must be removed for a smooth functioning of accounting. The amount of balance in bank statement must tally with the amount as shown in the cash book for a specific account. But in reality, the two records are different and needs reconciliation.

**Why do we reconcile?**

Reconciliation of the bank statement and cash book of business balances the amounts as an explanation for the differences between the two. We would need both cash books and passbook that a bank issues, to compare the entries and record differences. We, therefore, reconcile to present a verified document to the balance amount. In addition, reconciliation wipes off irrelevant errors and issues a clear copy after comparison.

**Causes of Difference in BRS**

Reconciliation statement is a record book which lists the changes that appear in either book (cashbook or passbook). Two broad terms cover up major challenges due to which differences may appear:

* Errors a bank or a business make
* Time difference in recording an entry

**Errors a bank or business make**

Sometimes there is no discrepancy in comparing entries because there is a discrepancy in posting! This causes a difference between the bank balance statement and the cash book balance shown.

* **Errors committed by Firm**

Wrong totaling of notes while depositing, omission or wrong recording of amounts of cheques issued, etc. are some major drawbacks. The reconciliation addresses this major issue and resolves it.

* **Errors committed by Bank**

Wrong recording of transactions related to cheque while posting it or wrong totaling results in a difference in cashbook and passbook.

**Time difference in recording an entry**

When a bank cross checks bank statement and business cash book, there are innumerable errors present due to the time gap. The factors affecting this time gap are as follows:

* **Cheques issued by the bank but not yet presented for payment**

The bank works in advance to provide faster services. It adds money to the beneficiary's account as it encounters a cheque. Afterward, it looks for the credited amount in the supplier's account. If it is unable to find the balance amount, it deducts from beneficiary's account and returns the cheque with fault charges.

The bank statement excludes it but the cash book might have recorded it. therefore, it becomes a time discrepancy.

* **Cheques paid but not collected**

When a firm receives a cheque, the cash book posts the entry for the business firm. Whereas a bank takes 34 days to clear a cheque and the entry then finds a place in the bank statement. That too on working days. it might take longer. The time difference leads to a cause of discrepancy in bank balance and cashbook entries.

* **Direct debits made by bank**

The services provided by a bank requires a nominal fee. The bank deducts money from the firm's account without them knowing it. The firm gets to know this directly through the bank statement. For example, interest on overdraft, cheque bounced or stopped charges, incidental charges, etc. As a result, the balance in passbook will be less than the balance in cash book.

* **Amount directly deposited in the bank**

There may be a situation where a debtor submits an amount to a firm's account and the firm receives no message regarding the same. In this situation, the passbook balance rises and the cashbook balance doesn't.

* **Interests collected by the bank**

The bank directly adds interest to a firm's account and the only medium of its knowledge is bank statement. The firm jots down the interest after issuing the bank statement. They are noted in the final balance additions in the cash book.

**Conclusion**

While keeping in mind the above points, we must re-check once with the bank. We must make sure about the number of deposits, withdrawals, and current interest rates. Besides that, we should monthly prepare a BRS to confirm the transactions and be on the safer side. Differences are easily rectifiable. The whole process provides a sense of relief to the firm. While preparing a BRS to make sure that you have received a correct bank statement. Gather your documents and go for a BRS scan. It will definitely benefit your firm.

**Solved Questions for You**

**Question:** What is the difference between a bank statement and a bank book?

**Answer:** The bank statement is issued once a month. It contains a detailed record of submissions and deletions made in an account. A Bank issues a bank statement. Whereas a bankbook is a record-keeping book maintained by the firm. It records the entries of transactions and the firm edits it on a regular basis. It might not contain transit deposits, service charges, outstanding checks, etc.

**Question:** What do Unpresented cheques mean?

**Answer:** Unpresented cheques refers to cheques which on the clearing stage. It is a term most commonly used in BRS. The banking system takes a few days to verify the details and processes it further. The entry for cheque will be posted the same day by the company. Whereas the bank will record it after clearing.