**Preparation of BRS**

Businesses maintain a cash book to record various transactions. Also as a record to cross-check bank statement. The process of comparing both the records is Reconciliation. It checks the errors and states them in BRS (Bank Reconciliation Statement). In addition, reconciliation takes place every month to maintain the balance between the two records. Moreover, reconciliation brings out the potential difference that profit a firm when ruled out. There are many things that come up in a firm's cash record which needs mending. Reconciliation does that work for it.

**Overview**

Bank Reconciliation Statement is as necessary as a bank statement for a cash account. It records necessary changes mandatory to declare the bank statement and cash book records error-free and hence, required. Moreover, some random errors like noting wrong entries to the data etc. might not be replaced.



Reconciliation records all the needful changes and helps in the smooth functioning of a firm. BRS is a statement which is prepared to reconcile the difference between cash balance and bank statement balance.

**What is Reconciliation mandatory for?**

It isn't mandatory to prepare a BRS until and unless you want to be double sure.  Also, there is no fixed date to reconcile both statements. Two different firms prepare a cash record and bank statement. A firm records transactions in the cash book.  A bank issues a bank statement every month. However, a third party prepares the Bank Reconciliation statement. It compiles the errors they both make.

**Steps to follow when preparing a BRS**

**Check for Uncleared dues**

**Step 1:** First of all, compare the opening balances of both the bank column of the cash book as well as the bank statement. The two can be different in terms of uncleared dues like un-presented or un-credited cheques from the previous month.

**Compare debit and credit sides**

**Step 2:** Start by comparing the credit side of the bank statement to the debit side of the bank statement. Also, compare the credit side of the cash book to the debit side of the cash book. The two must be equal in both documents. Tick the columns if you can't find any error.

**Check for missed entries**

**Step 3:** Analyse entries in the bank column of the cash book as well as in checkbook. Look for records that have been missed to be posted in bank column of the cash book. Make a separate list of all such items and list them in cash book.

**Correct them**

**Step 4:**Correct the errors present in the cash book, if any.

**Revise the entries**

**Step 5:**Calculate the balance after revising the updated cash book's bank column.

**Make BRS accordingly**

**Step 6:**Prepare Bank Reconciliation Statement accordingly. Make sure to add the updated version of records.

**Add Un-presented cheques and deduct un-credited cheques**

**Step 7:** Banks are not aware of Un=presented cheques because the beneficiary doesn't get the cheque. it is the case when the business firm forgets to deliver the signed cheque to the issued name. This situation leads to the addition of cheque amount in the bank statement.

On the other hand, cheques which beneficiary has not yet collected are called un-credited cheques. These must be deducted.

**Make final changes**

**Step 8:**Make all the final adjustments and check for bank errors in bank statement and firm's errors in the cash book. During heavy transaction days, firms or banks may make mistakes in noting entries. The process removes those errors. Although it consists of fine work, reconciliation becomes a helping hand at hard times (large transaction days).

**Left-hand side equal to the right-hand side**

**Step 9:**The results from both the documents i.e. bank statement and cash book must match with each other.

**Why do we need to prepare Bank Reconciliation Statement?**

A bounced cheque leads to a fall in one's reputation in the eyes of the bank. This may lead to future misunderstandings for a firm's relationship with Banks. Moreover, it may also lead to delays in monetary help responses from bank side. Therefore, reconciliation helps to tackle these mistakes and maintain a healthy official relationship. BRS offers several other advantages to a business firm:

* **Detects errors:**

A bank reconciliation statement helps to locate errors. After locating errors, firms can easily remove them.

* **Tracking interest and fees:**

The bank might add interest payments or deduct service fees from the account without a prior notice. The additions or deletions are visible directly in the bank statement. A bank reconciliation statement helps in managing these changes.

* **Detecting fraud:**

Suppose, an employee handles the bank account for the firm. Apparently, the transaction history is clearly visible to the manager of the business by reading the reconciliation statement. Hence, no chances of fraud are entertained.

**Conclusion**

After going through the article, you have got an idea of how to prepare a bank reconciliation statement. Most importantly, the idea behind it is to increase a firm's productivity. Most businesses shut down due to severe losses. Through reconciliation, the head investor can locate potential errors. Besides that, reconciliation records important transactions that were earlier missed. The whole aim of the process is to verify the bank statement and cash book.

**Solved Questions for You**

**Question:**Who prepares the bank reconciliation statement?

**Answer:**The company's accountant prepares the bank reconciliation statement whenever the bank statement arrives. Generally, the bank issues the bank statement within a month.

**Question:**What is the need to prepare Bank Reconciliation Statement?

**Answer:** A bank reconciliation statement gives a clear picture of the bank account in a very precise manner. However it takes time to make a BRS, it is always beneficial for a firm's growth. It also acts as a helping hand in account management.