

Bank Reconciliation Made Easy.

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A Bank Reconciliation Statement is a document that compares the Cash Balance on the Company's balance sheet to the corresponding one in the Bank Statement.

A Bank Statement is a Document issued periodically to the holder of the Account containing the Balance in a Bank Account and the Amounts that have been into it and withdrawn from it.

Causes of Differences in the Cash Book Balance and the Bank Statement Balance.

* Unpresented Cheques → Usually Payments made by Cheque to a Supplier or Credit that haven't been presented to the Bank these will appear in the Bank Reconciliation Statement

* Uncredited Cheques → Usually Deposits or Receipts from Customers or Debtors that haven't been credited in the Bank Statement.

* Bank Errors.

(i) Over Charged → when the Bank deducts more than

(ii) Under Charged → when the Bank deducts less.

(1) Updated Cash Book

— Contains ~~extra~~ transactions that were in the Bank Statement but did not appear in the Cash.

— All errors made in the Cash book must be corrected or adjusted in the Updated Cash Book.

⑧ Bank Reconciliation Statement

- Must contain transactions that were captured in the Cash book but did not appear in the Bank Statement.
- All errors that were made in the Bank Statement must be adjusted or corrected in the Bank Reconciliation Statement

Format 1

<u>Updated Cash book</u>			
Balance b/f	xxxx	Cheq. Received dishonored	xxx
Payment Overstated	xxxx	Receipt Overstated	xxx
		Bank Charges not Recorded	xxx
		Balance b/d	xxxx
	<u>xxxx</u>		<u>xxx</u>
Balance b/d	xxx		

Bank Reconciliation Statement as at xx/xx/xx

Balance as per Bank Statement	xxx xx / (xxx)
Add Uncredited Cheques	xxxx
	xxxx
Less Unpresented Cheques	(xxxx)
	xxx
Less Bank Error: Cheq. Understated	(xxx)
Balance as per updated Cash book	<u>xxxx</u>

Bank Reconciliation Statement Format 2.

Balance as per updated Cash Book	XXXXX
Less Uncredited Cheques	(XXX)
	XXXXX
ADD: Unpresented Cheques	XXXXX
	XXXXX
ADD Bank Error: Cheq. understated	XXX
Balance as per Bank Statement.	<u>XXXXX</u>

Take-aways

- * If Balance as per Bank Statement is an Overdraft, show it as a negative in the Bank Reconciliation Statement
- * What appears on the debit side of the Cash must appear on the Credit side of the Bank Statement and Vice-versa.

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