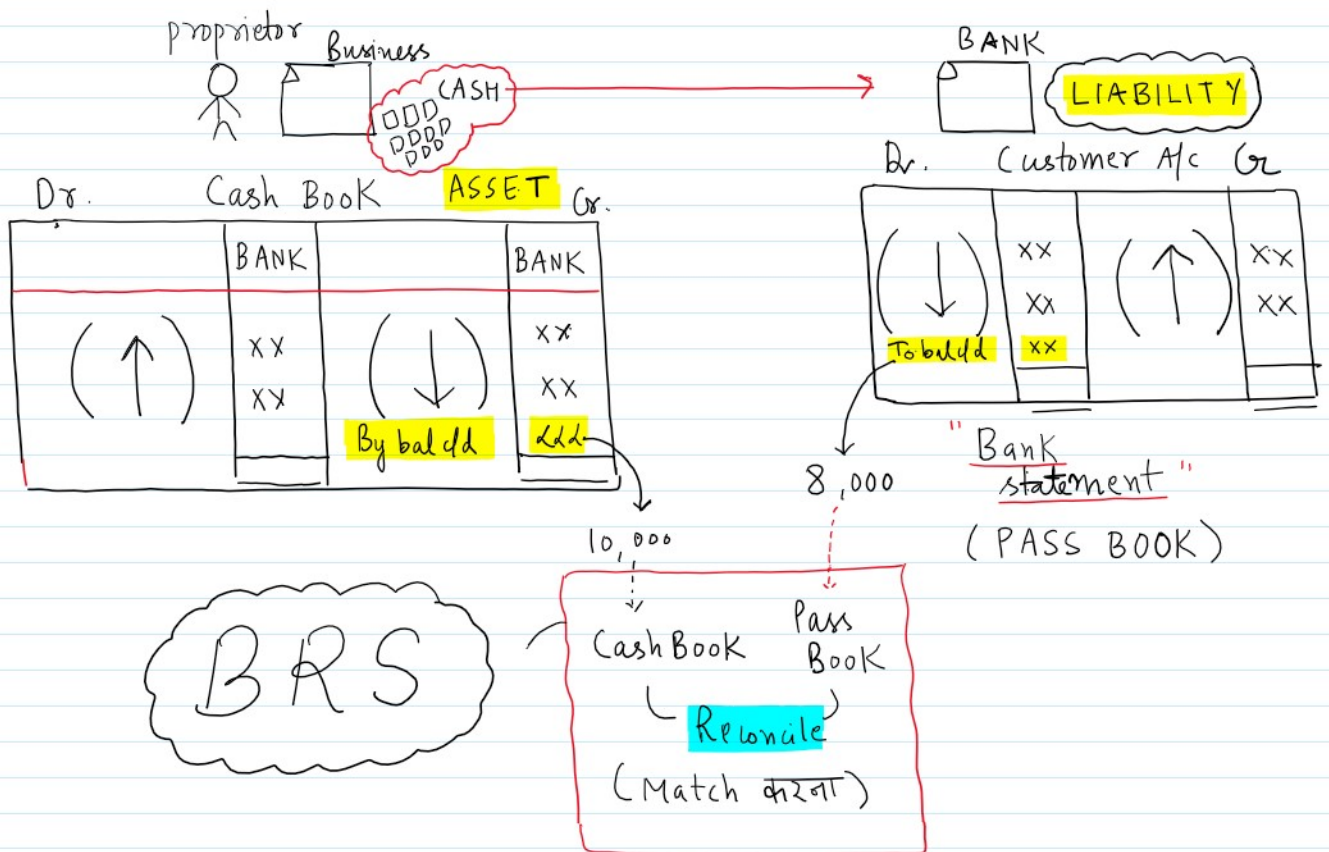


CH: Bank Reconciliation Statement (BRS)

(V.V.V.V.V.V. Interesting)

→ Bank reconciliation statement (BRS) is a statement prepared by account holder (customer) on a particular date to reconcile the Bank balance as per cash Book with the balance as per the Bank statement i.e. Pass Book.



→ BRS is prepared to :-

- objectives
- (a) find out the errors either in cash book or pass book
 - (b) Regular reconciliation discourages embezzlements
 - (c) It shows actual Bank balance.
- गड़बड़ (चोरी)

→ IMPORTANT ASPECTS to understand

- (a) Debit balance in Cash Book is just like credit balance in Pass Book

(a) Debit balance in Cash Book is just like credit balance in Pass Book.

Dr.	Cash Book	Cr.	Dr.	Pass Book	Cr.
(↑)	xx	(↓)	xx	(↓)	xx
	xx		xx		xx
पैसे जाया	xx	पैसे गया	xx	पैसे जाया	xx
		Bal dd	xx	Bal dd	xx

Debit Balance in Cash Book

Credit Balance in Pass Book

FAVOURABLE BALANCE

(b) Credit Balance in Cash Book is just like Debit Balance in Pass Book.

Dr.	CB	Dr.	PB	Cr.
To Bal dd	xx	By bal dd	xx	

Credit Balance in CB

Debit Balance in PB

UNFAVOURABLE BALANCE (OVERDRAFT BALANCE)

→ Presentation of BRS

Plus-Minus presentation

	+ item	- item

Balance Presentation

	Details	₹
Add:-		
less:-		

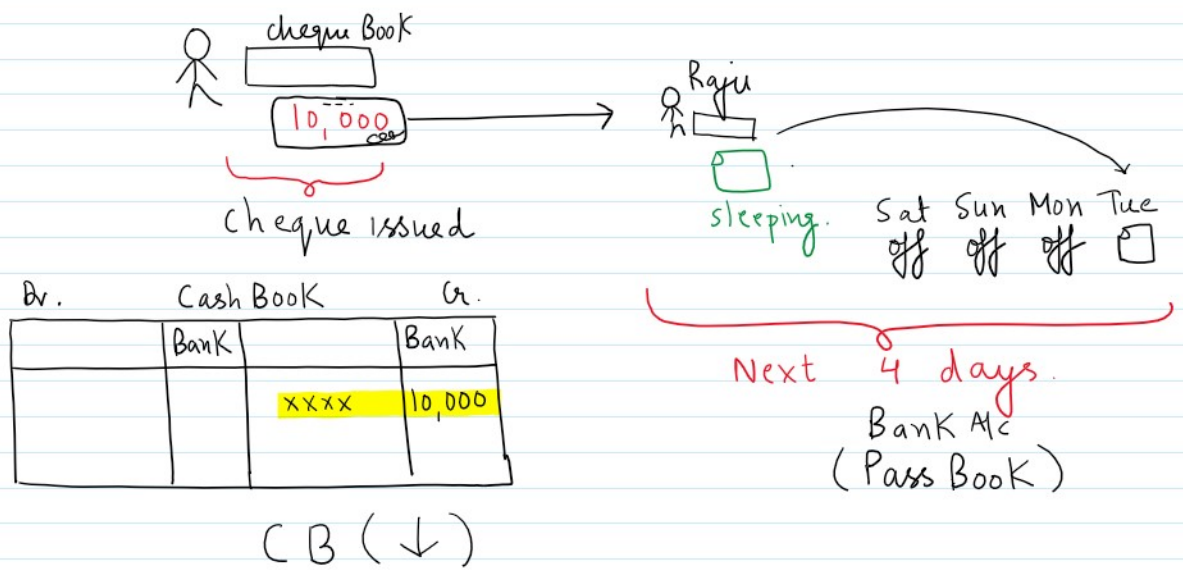
* We can follow either of two - Answer will remain. For simplicity & uniformity we will follow Plus-Minus presentation.

→ Reasons for difference in Balances (Imp.)

- a) Timing difference
- b) Transactions (recorded by Bank but not recorded in cash Book)
- c) Errors (either by Bank or by customer)

* TRANSACTIONS, TIMING DIFFERENCES & ERRORS
(V.V.V.V. Imp)

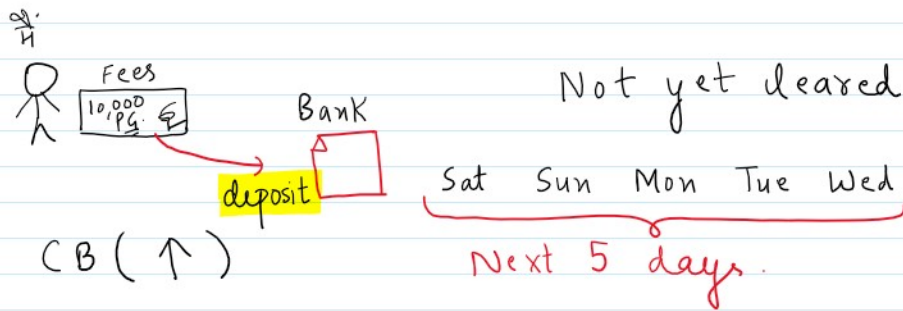
① Cheques issued but not presented



It means that Cash Book (↓) कम हो गई

② Cheque deposited (or paid) into Bank but not

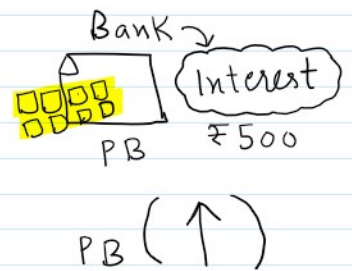
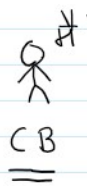
② **Cheque deposited** (or paid) into Bank **but not cleared** (or credited)



It means Cash Book (↑)

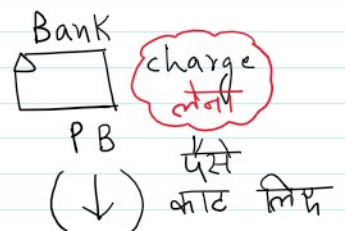
* The above ② points are **TIMING DIFFERENCES**

③ **Interest credited by Bank** (Transaction)



It means PB (↑)

④ **Bank charges** or **Interest charged** by Bank (Transaction)

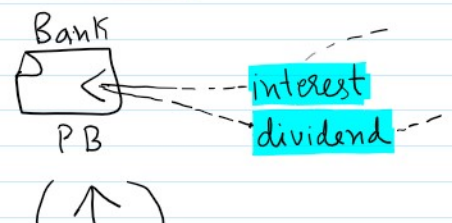


It means PB (↓)

⑤ **Interest collected** or **Dividend collected**



(Transaction)



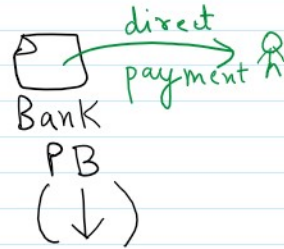
CB

PB
(↑)

aviana

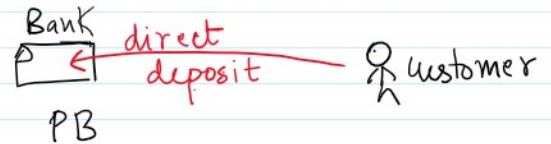
It means PB (↑)

⑥ **Direct payments by the Bank** - Standing Instructions
(Transactions)



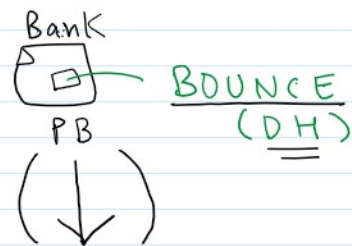
It means PB (↓)

⑦ **Direct payments into Bank / Direct deposit**
by customer
(Transaction)



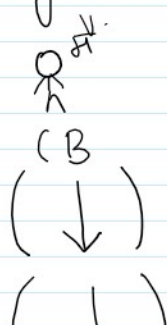
It means PB (↑)

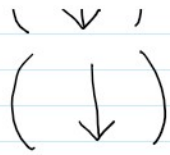
⑧* **Dishonour** of Bill discounted / **cheque deposited**
(Transaction)



It means PB (↓)

⑨ **Bank charges recorded twice** in Cash Book
(Errors)





It means CB (↓)

100%

Payment side of Cash Book is under cast (ERROR)

Dr.	CB	Cr
Receipt	₹	Payment
—	5,000	—
—	6,000	—
—	8,000	—
		Bal c/d
	19,000	15,000
		19,000

1,000
2,000
3,000
4,000
total
10,000

CASTING
 Receipt = Total = 19,000
 Payment = Total = 4,000

Actual correct Balance = 13,000

It means CB (↑)

* How to prepare BRS *

Rule No. 1 : We will always prepare BRS with PLUS-MINUS presentation

Rule No. 2 : If unfavourable bal. is given then we will write it in MINUS item column.

* Unfavourable balance means

- Credit Balance in Cash Book
- OR
- Debit Balance in Pass Book

OVERDRAFT BALANCE

Rule No. 2 - Always Always Always Always

Rule No. 3 :- Always Always Always Always
ADJUST THE BOOK "whose starting
Balance is GIVEN"

1/ Prepare Bank Reconciliation Statement from the following:

	₹
(i) Debit balance as per the Cash Book ————— Favourable	15,000
(ii) <u>Cheques deposited but not cleared.</u> — (2) —————→	1,000
(iii) <u>Cheques issued but not presented.</u> — (1) —————→	1,500
(iv) Bank interest. ————— (3) Interest credited by Bank	200
<i>[Balance as per Pass Book—₹ 15,700.]</i>	

Sol:-

B R S

Particulars	(+) item	(-) item
Balance as per Cash Book	15,000	
Cheque deposit but not cleared		1,000
cheque issued but not presented	1,500	
Bank Interest	200	
Balance as per Pass Book		15,700
	16,700	16,700

19/ From the following information, prepare Bank Reconciliation Statement as on 31st March, 2021:

	₹
(i) Bank overdraft as per Pass Book ————— Unfavourable	36,000
(ii) <u>Cheques issued but not presented for payment.</u> — (1) —————	19,700
(iii) <u>Cheques deposited with bank but not collected.</u> — (2) —————	25,000
(iv) <u>Cheques entered in Cash Book but not banked.</u> —————	9,000
(v) <u>Directly deposited to bank by a customer.</u> ————— (7) —————	11,000
<i>(Delhi, Modified)</i> <i>[Overdraft as per Cash Book—₹ 32,700.]</i>	

Sol:-

BRS as at 31 March

Particulars	+ item	- item
-------------	--------	--------

Sol:-

BRS as at 31 March

Particulars	+ item	- item
Balance as per Pass Book		36,000
cheque issued but not presented		19,700
cheque deposit but not collected	25,000	
cheque entered but not banked	9,000	
Direct deposit by customer		11,000
Balance as per Cash Book (overdraft)	32,700	
	66,700	66,700

8/ Prepare Bank Reconciliation Statement from the following particulars on 31st July, 2021:

- (i) **Balance** as per the **Pass Book** ₹ 50,000. **Favourable** or Unfavourable??
- (ii) Three cheques for ₹ 6,000, ₹ 3,937 and ₹ 1,525 **issued** in last week of July, 2021 were **presented** for payment to the **bank in August**, 2021. — ①
- (iii) Two cheques of ₹ 500 and ₹ 650 sent to the bank for **collection** were **not entered** in the Pass Book by 31st July, 2021. deposit — ②
- (iv) The **bank charged** ₹ 460 for its **commission** and **allowed interest of ₹ 100** which were not mentioned in the Bank Column of the Cash Book.

[Balance as per Cash Book—₹ 40,048.]

Sol:-

BRS as at 31st July

Particulars	+ item	- item
Balance as per pass Book	50,000	
cheque issued but not presented		11,462
cheque deposit but not cleared	1,150	
Bank charged interest	460	
Bank allowed interest		100
Balance as per Cash Book		40,048
	51,610	51,610

13/ On 1st January, 2021, Naresh had an **overdraft** of ₹ 40,000 as shown by his Cash Book in the bank column. Cheques amounting to ₹ 10,000 had been deposited by him but were not collected by the bank by 1st January, 2021. He issued cheques of ₹ 7,000 which were not presented to the bank for payment up to that day. There was also a **debit** in his Pass Book of ₹ 600 for interest and ₹ 500 for bank charges. **दंड**

Prepare a Bank Reconciliation Statement.

[Overdraft as per Pass Book—₹ 44,100.]

Sol:-

BRS

Particulars	+ item	- item
Balance as per <u>Cash Book</u>		40,000
cheque deposit but not cleared		10,000
cheque issued but not presented	7,000	
Bank interest		600
Bank charges		500
Balance as per Pass Book	<u>44,100</u>	
	51,100	51,100

M. IMP Questions

24. From the following particulars, you are required to ascertain the bank balance as would appear in the Cash Book of Ramesh as on 31st October, 2021:

- (i) Bank Pass Book showed an overdraft of ₹ 16,500 on 31st October. कर गया
- (ii) Interest of ₹ 1,250 on overdraft up to 31st October, 2021 has been debited in the Bank Pass Book but it has not been entered in the Cash Book.
- (iii) Bank charges debited in the Bank Pass Book amounted to ₹ 35.
- (iv) Cheques issued prior to 31st October, 2021 but not presented till that date, amounted to ₹ 11,500.
- (v) Cheques paid into bank before 31st October, but not collected and credited up to that date, were for ₹ 2,500. देखे जा गए
- (vi) Interest on investment collected by the bankers and credited in the Bank Pass Book amounted to ₹ 1,800. (KVS, Modified)

[Overdraft as per Cash Book—₹ 26,015.]

Sol:-

BRS

Particulars	+ item	- item
Balance as per <u>Pass Book</u>		16,500
	1,250	
	35	
	2,500	11,500
		1,800
Balance as per <u>Cash Book</u>	<u>26,015</u>	
	29,800	29,800

27. From the following information supplied by Sanjay, prepare his Bank Reconciliation Statement as on 31st March, 2021:

✓ (i)	Bank <u>overdraft</u> as per Pass Book. _____	16,500
✓ (ii)	Cheques issued but not presented for payment. _____	8,750
✓ (iii)	Cheques deposited with the Bank but not collected. _____	10,500
* ✓ (iv)	Cheques <u>recorded in the Cash Book</u> but not sent to the bank for collection. —	2,000
✓ (v)	Payments received from customers <u>directly by the bank</u> . _____	3,500
✓ (vi)	Bank charges debited in the Pass Book. _____	200
* ✓ (vii)	Premium on life policy of Sanjay <u>paid by the bank on standing advice</u> . _____	1,980
* ✓ (viii)	A bill for ₹ 3,000 (discounted with the bank in February) <u>dishonoured on 31st March, 2021 and noting charges paid by the bank.</u> _____	100

(Delhi, Modified)

[Overdraft Balance as per Cash Book—₹ 10,970.]

BRS

Particulars	+ item	- item
Balance as per <u>Pass Book</u>		16,500
		8,750
	10,500	
	2,000	
		3,500
	200	
	1,980	
	3,100	
Balance as per Cash Book	10,970	
	28,750	28,750

26. Prepare Bank Reconciliation Statement as on 31st March, 2021 from the following particulars:

- ✓ (i) R's overdraft as per Pass Book ₹ 12,000 as on 31st March.
- * ✓ (ii) On 30th March, cheques had been issued for ₹ 70,000 of which cheques amounting to ₹ 3,000 only had been ^{presented} encashed up to 31st March.
- * ✓ (iii) Cheques amounting to ₹ 3,500 had been ^{deposit} paid into the bank for collection but of these only ₹ 500 had been credited in the Pass Book.
- ✓ (iv) Bank has charged ₹ 500 as interest on overdraft and the intimation of which has been received on 2nd April, 2021.
- ✓ (v) Bank Pass Book shows credit for ₹ 1,000 representing ₹ 400 paid by debtor of R direct into the bank and ₹ 600 collected directly by the bank in respect of interest on R's investment. R had no knowledge of these items.
- ✓ (vi) A cheque for ₹ 200 has been debited in the bank column of Cash Book by R but it was not sent to the bank at all.

[Overdraft as per Cash Book—₹ 76,300.]

(✓)

not sent to the bank at all.

[Overdraft as per Cash Book—₹ 76,300.]

(✓)

BRS

Particulars	+ item	- item
Balance as per <u>Pass Book</u>		12,000
		67,000
	3,000	
	500	
		1,000
	200	
Balance as per <u>Cash Book</u>	76,300	
	80,000	80,000

15. On 31st March, 2021, Cash Book of a merchant showed bank overdraft of ₹ 1,72,985. On comparing the Cash Book with Bank Statement, following discrepancies were noted:

- (i) Cheques issued for ₹ 60,000 were not presented in the bank till 7th April, 2021.
- (ii) Cheques amounting to ₹ 75,000 were deposited in the bank but were not collected.
- (iii) A cheque of ₹ 15,000 received from Mahesh Chand and deposited in the bank was **dishonoured** but the non-payment advice was not received from the bank till 1st April, 2021.
- (iv) ₹ 1,50,000 being the proceeds of a bill receivable collected appeared in the Pass Book but not in the Cash Book.
- (v) Bank charges ₹ 1,500 and interest on overdraft ₹ 8,500 appeared in the Pass Book but not in the Cash Book.

OMG !!

(vi) Overdraft balance as per Cash Book of ₹ 500 on 28th February, 2021 was **wrongly carried forward** as debit balance. The error was noted at the time of preparing the Bank Reconciliation Statement as on 31st March, 2021.

Prepare Bank Reconciliation Statement.

[Overdraft as per Pass Book—₹ 63,985.]

(✓)

BRS

Particulars	+ item	- item
Balance as per <u>Cash Book</u>		172,985
	60,000	
		75,000
		15,000
	1,50,000	
		10,000
		1,000
Balance as per <u>Pass Book</u>	63,985	

Balance as per Pass Book

63,985

273,985

273,985