

Bank Reconciliation Statement

1. Bank Reconciliation Statement (B. R. S.) is prepared to find the differences between Bank Balance as per Cash Book and Pass Book.
2. Cash Book is maintained by businessman and Pass Book by bank.
3. Transactions are recorded in the Cash book on the date on which the cheque is deposited and issued.
4. Transactions are recorded in the Pass book on the date on which the cheque is cleared and encashed. Pass book is prepared by Bankers it is also known as “Bank Statement”.
5. Difference in bank balance as per cash and pass book arises when the transactions are recorded only in one book i.e. Cash / Pass book.
6. Balance as per Cash Book means Credit Balance as per Pass Book
7. Overdraft as per Cash Book means Overdraft as per Pass Book

Difference in Bank balance are due to following reasons :-

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|----|--|--------------|
| 1) | Cheque deposited but not cleared. | CBR - Dr. |
| 2) | Cheque issued but not encashed. | CBP - Cr. |
| 3) | Direct deposit by a customer. | PBR - Cr. |
| 4) | Direct payment made by the Bank. | PBP - Dr. |
| 5) | Amount collected by the Bank directly. | PBR - Cr. |
| 6) | Bank charges debited by the Bank. | PB Dr. - Dr. |
| 7) | Interest credited by the Bank. | PB Cr. - Cr. |
| 8) | Errors (Mistakes) i.e. casting, wrong column, wrong side, wrong amount | |

❖ **Dishonour of a cheque**

- | | | |
|----|---|-----------|
| 1) | Cheque received dishonoured. | CBR - Dr. |
| 2) | Cheque deposited dishonoured. | CBR - Dr. |
| 3) | Cheque deposited dishonoured but not recorded in C.B. | CBR - Dr. |
| 4) | Cheque dishonoured debited in pass book. | PB - Dr. |
| 5) | Cheque issued dishonoured. | CBP - Cr. |
| 6) | Cheque issued dishonoured not recorded in Cash Book | CBP - Cr. |

Dr.	Cash Book	Cr.
Receipts / Deposits	Payments / Withdrawals	
Balance as per Cash Book	Overdraft as per Cash Book	
Cheque deposited but not cleared	Cheque issued but not encashed.	
Receipt side overcast	Payment side overcast	
Payment side under cast	Receipts side under cast	

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Dr.	Pass Book		Cr.
Payments / Withdrawals			Receipts / Deposits
Overdraft as per Pass Book			Balance as per Pass Book
Direct payment made by bank.			Direct deposit by customer
Cheque issued not recorded in Cash Book			Amount collected by bank directly.
Receipt side undercast.			Receipt side overcast
Bank charges Dr. by Bank			Interest credited by bank
Payment side overcast			Payment side undercast
Cheque issued recorded in Cash/Discount column.			Cheque deposited recorded in Cash/Discount Column
			Cheque deposited not recorded in Cash Book

Adjusted cash book

It means first rectifying the transactions in the cash book and then preparing the BRS. A adjusted cash book is prepared doing the rectifications. After preparing the adjusted cash book its closing balance is compared with the Pass book balance and Bank Reconciliation Statement is prepared. After rectification in Adjusted Cash Book the BRS will have only these three transactions.

1. Cheques issued but not encashed.
2. Cheques deposited but not cleared.
3. Errors in pass book.

Preparation of Bank Reconciliation Statement :

Bank Balance as per CB / PB	Debit Balance	Credit Balance
Add :	(+) Credit Amount	(+) Debit Amount
Less:	(-) Debit Amount	(-) Credit Amount
Bank Balance as per PB/CB	Credit Balance	Debit Balance

MULTIPLE CHOICE QUESTIONS

1. Bank Reconciliation Statement is :

(a) A part of Pass Book	(b) A statement prepared by bank
(c) Cash book relating to cash column	(d) A statement prepared by all business

2. Bank reconciliation statement is prepared to.

(a) Ascertain the cash book balance	(b) Ascertain the bank balance
(c) Ascertain the overdraft balance	(d) Reconcile balance as shown by cash book with that shown by the pass book

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3. Unfavourable bank balance means :
- (a) Credit balance in Cash Book
 - (b) Credit balance in Pass Book
 - (c) Debit balance in Cash Book
 - (d) Favourable balance in Cash Book
4. A Bank Reconciliation Statement is prepared to know the causes for the difference between :
- (a) The balance as per cash column of Cash Book and the Pass book
 - (b) The balance as per bank column of Cash Book and the Pass Book
 - (c) The balance as per bank column of Cash Book and balance as per cash column of Cash Book
 - (d) None of the above
5. Bank reconciliation statement is prepared by :
- (a) The Commercial Bank
 - (b) Businessman
 - (c) The Auditor
 - (d) None.
6. A bank reconciliation statement is a statement prepared to reconcile :
- (a) Trial balance
 - (b) Profit as per books of account with the profit as per Income-tax returns
 - (c) Cash balance as per cash book with bank balance as per pass book
 - (d) Bank balance as per cash book with bank balance as per bank pass book
7. Debit balance in Bank Pass Book means :
- (a) Bank Overdraft
 - (b) Bank Balance
 - (c) Balance as per Cash Book
 - (d) Total of Bank A/c
8. Credit balance in Bank Pass Book means :
- (a) Bank Overdraft
 - (b) Bank Balance of Cash Book
 - (c) Cash Balance as per Cash Book
 - (d) Total of Bank A/c
9. Which of these statements is true about a Bank Pass Book?
- (a) Pass book is a copy of customer's account in bank books
 - (b) Pass book contain a copy of customers current account in cash book
 - (c) Pass book contains a copy of cash column of customer of cash book
 - (d) Pass book contains a copy of bank column of the customer's cash book
10. Entry in debit side of Bank Pass Book implies :
- (a) Cheque payments
 - (b) Cheque deposited dishonoured
 - (c) Cash withdrawn
 - (d) All of the above
11. A wrong entry on debit side of cash book would lead to :
- (a) Cash book showing more balance
 - (b) Cash book showing less balance
 - (c) Cash withdrawal
 - (d) Purchases

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12. Cheque issued but not presented for payment are :
- (a) Recorded in Cash Book (b) Recorded in Pass Book
(c) Recorded as debit note (d) Not recorded
13. Cheque sent for collection but not yet collected is :
- (a) Recorded in Cash Book (b) Recorded in Pass Book
(c) Recorded as debit note (d) Not recorded
14. The balance of bank column shows :
- (a) Bank balance as per Cash Book (b) Cash Balance
(c) Bank Balance as per Pass Book (d) None
15. Debit balance in the cash book means :
- (a) Overdraft as per pass book (b) Overdraft as cash book
(c) Credit balance as per pass book (d) Neither of these
16. Difference in bank balance as per bank pass book and cash book may arise on account of :
- (a) Cheque issued but not presented (b) Cheque issued but dishonoured
(c) Direct payments by customers in bank (d) All of the above
17. What will be the treatment if the starting point is a favourable pass book balance, when cheque is deposited but not cleared :
- (a) Add to the pass book balance (b) Subtract from the cash book balance
(c) Add to cash book balance (d) Subtract from the pass book balance
18. Which one of these will require adjustment of cash book balance?
- (a) Overcasting of bank column of cash book
(b) Cheque issued but not presented for payment
(c) Cheque deposited but not cleared
(d) Errors in pass book
19. After preparing adjusted cash book the reconciliation statement should be prepared taking the following item/items :
- (a) Cheques deposited but not cleared (b) Cheques issued but not presented for payment
(c) Errors in the pass book (d) All of the above
20. When the balance as per cash book is the starting point, direct deposits by customer are :
- (a) Added (b) Deducted (c) Added twice (d) None
21. When the balance as per pass book is the starting point, unpresented cheques are :
- (a) Added (b) Deducted (c) Added twice (d) None
22. When balance as per pass book is the starting point, interest allowed by bank is :
- (a) Added (b) Deducted (c) Added twice (d) None

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23. Which of the following statements is true?
- (a) Bank charges increase debit balance shown as per bank column of the cash book
 - (b) Bank charges increase debit balance as per bank pass book
 - (c) A credit sale is recorded in the cash book
 - (d) Bank reconciliation statement is prepared by a bank
24. Which of the following statements is false?
- (a) When the bank column of a cash book shows a credit balance, it means an amount is due to the bank
 - (b) When pass book shows a debit balance, it means overdraft as per passbook
 - (c) While preparing bank reconciliation statement, cheques paid into bank but not yet cleared are deducted from the debit balance as per cash book to arrive at the balance as per passbook
 - (d) A bank reconciliation statement is a part of passbook
25. Which of the following items is not a reason for difference between bank balance as per cash book and pass book?
- (a) Omission of a contra entry in cash book
 - (b) Cheques deposited but not yet cleared
 - (c) Omission of an entry in cash column of cash book
 - (d) Cheques issued but not yet presented
26. Under Bank reconciliation statement while adjusting the cash book.
- (a) All the errors and omissions in the passbook are taken into consideration
 - (b) Delays in recording in the passbook due to difference in timing are taken into consideration
 - (c) All the errors and omission in the cash book are taken into consideration
 - (d) All of the above
27. Which one of these is not a cause of difference in balance as per pass book and as per cash book ?
- (a) Errors in cash book
 - (b) Errors in pass book
 - (c) Cheques deposited and cleared
 - (d) Cheques issued but not presented for payment
28. Bank reconciliation statement is prepared with either balance of.
- (a) Pass book
 - (b) Cashbook
 - (c) Both (a) or (b)
 - (d) None of the above
29. Which of these types of errors are not detected during Bank Reconciliation' :
- (a) Cash embezzlement by cashier
 - (b) Cheques deposited but not credited by bank
 - (c) Casting mistakes in bank column of cash book
 - (d) Interest or commission charged by the bank not accounted in cash book

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30. In arriving at adjusted cash balance which of the following is not taken into account
(a) Amount deposited by our customer directly in our account
(b) Errors in the Cash Book
(c) Errors in the Pass Book
(d) All of these
31. Bank balance shown in Trial Balance :
(a) Balance as per pass book (b) Balance as per Cash book
(c) Balance as per purchase book (d) Both (a) and (b)
32. When overdraft as per Cash Book is the starting point, Bank charges of ₹300 recorded twice in the pass book will be:
(a) Added by ₹300 (b) Deducted by ₹300
(c) Deducted by ₹600 (d) Added by ₹600
33. In Bank Reconciliation Statement, when balance as per cash book is taken as the starting point, then interest collected by the bank ₹9,000 and direct deposit by a customer into his bank ₹18,000 will be :
(a) Ignored (b) Added (c) Subtracted (d) deducted
34. Adjusted Cash Book does not record
(a) Cheque issued but dishonoured (b) Cheque deposited but dishonoured
(c) Casting error of Cash column (d) Bank charges
35. Cheque deposited and dishonoured will be _____ to the Cash Book balance
(a) Added (b) deducted (c) Ignored (d) multiplied
36. Cheque issued & recorded in cash column will be _____ in Pass Book Overdraft.
(a) Added (b) deducted (c) Ignored (d) multiplied
37. Cheque issued & not encashed recorded in cash column will be _____ to Cash Book balance.
(a) Added (b) deducted (c) doubled (d) ignored
38. Wrong credit given by Bank will be.
(a) Added to Cash Book Balance (b) Added to Cash Book Overdraft
(c) Added to Pass Book Balance (d) Deducted from Cash Book Balance
39. When overdraft as per pass book is the starting point, bank charges of ₹100 recorded twice in the cash book will be.
(a) Added by ₹100 (b) Added by ₹200
(c) Deducted by ₹100 (d) Deducted by ₹1,000
40. When favourable balance as per cash book is the starting point, wrong debit by the bank to the firm will be :
(a) Added (b) Subtracted (c) Both (d) None

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41. The credit balance of ₹2,000 in the bank column of the cash book was carried forward as its debit balance. When overdraft as per pass book is the starting point.
- (a) ₹2,000 will be deducted (b) ₹2,000 will be added
(c) ₹4,000 will be deducted (d) ₹4,000 will be added
42. Debit balance as per Cash Book : ₹2,000
Cheques deposited but not cleared ₹100
Cheques issued but not presented ₹150
Bank allowed interest ₹50
Bank collected dividend ₹50
Balance as per Pass Book will be :
- (a) ₹2,100 (b) ₹1,850 (c) ₹2,350 (d) ₹2,150
43. The Cash book showed an overdraft of ₹1,500 but the pass book made up to same date shows that cheques of ₹100, ₹50 and ₹125 had not been presented for payment and a cheque of ₹400 had not been cleared. The balance as per the Pass Book will be :
- (a) ₹1,100 (b) ₹1,625 (c) ₹2,175 (d) ₹1,375
44. The credit balance of ₹2,000 in the bank column of the cash book was carried forwarded as its debit balance. When overdraft as per cash book is starting point :
- (a) ₹2,000 will be deducted (b) ₹2,000 will be added
(c) ₹4,000 will be deducted (d) ₹4,000 will be added
45. Balance as per Cash Book is ₹5,000. Cheques issued but not presented for payment ₹2,000 and cheques sent for collection but not collected ₹1,500. The Bank had wrongly debited the account of firm by ₹20. Balance as per pass book will be :
- (a) ₹5,580 (b) ₹5,480 (c) ₹4,520 (d) ₹5,520
46. Balance shown by Cash Book : ₹10,000
Cheques issued but not presented for payment ₹4,000
Cheques deposited but not yet collected ₹3,000
Balance as per Pass Book will be :
- (a) ₹9,000 (b) ₹10,000 (c) ₹11,000 (d) None
47. When overdraft as per Cash Book is the starting point, a cheque of ₹500 deposited into bank but not recorded in cash book will be :
- (a) Added by ₹500 (b) Deducted by ₹500
(c) Added by ₹1,000 (d) Deducted by ₹1,000
48. The bank pass book shows a credit balance of ₹22,000 which was not matching with the cash book balance. The difference is found to be due to a credit entry in pass book amounting to ₹1,000 for direct payment by a customer and a debit of ₹250 for bank charges on collection of outstation cheques and other services. The balance as per cash book will be :
- (a) ₹20,250 (b) ₹21,250 (c) ₹22,250 (d) ₹23,250

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49. Bank passbook show overdraft of ₹10,430. Out of cheques issued of ₹30,450, only cheques of ₹23,700 have been presented in the bank. The cash book will show balance of :
- (a) ₹17,180 (b) ₹18,130 (c) ₹3,680 (d) ₹20,340
50. The bank pass book balance shows ₹36,000. The cash book shows a different balance while analyzing the cause of difference it was noticed that total of debit side of cash book was carried forwarded to next page as ₹11,000 instead of ₹10,000. Similarly bills collected by the bank amounting to ₹15,000 were not recorded in the cash book. What would be the balance as per cash book?
- (a) ₹19,000 (b) ₹20,000 (c) ₹21,000 (d) ₹22,000
51. The cash book shows a balance of ₹11,000 which was different from the pass book balance. The difference is found to be due to a credit entry in pass book amounting to ₹2,000 for directly payment by a customer and a debit of ₹250 for bank charges on collection of outstation cheques and other services. What would be the balance as per bank pass book?
- (a) ₹12,250 (b) ₹12,750 (c) ₹13,500 (d) ₹13,750
52. The cash book shows a debit balance of ₹2,370 but bank statement gives a different figure. The difference found are a cheque for ₹700, paid to creditors is not entered in the bank pass book and bank charges of ₹67 being entered in the cash book as ₹76. The balance shown in the bank pass book is :
- (a) ₹1,669 (b) ₹1,679 (c) ₹2,061 (d) ₹3,079
53. Mr. X issued cheques worth ₹15,000 in March 2007 out of which cheque worth ₹10,000 only were presented for payment by 31st March, 2007. While reconciliation bank and cash book balance as on 31st March, 2007. What amount should be added to balance as per cash book to arrive at balance as per pass book?
- (a) ₹5,000 (b) ₹7,500 (c) ₹10,000 (d) ₹15,000
54. The balance shown by bank column of cash book was ₹48,000 on 31.1.2008. A cheque issued worth ₹24,000 on 16.1.2008, was not cleared till 31.1.2008. Cheques worth ₹10,000 received on 20th January, and deposited on 21.1.2008, was cleared on 27.1.2008. The balance as per pass book as on 31.1.2008 (assuming opening balance of passbook and cash book are equal) is :
- (a) ₹24,000 (b) ₹44,000 (c) ₹72,000 (d) ₹86,000
55. There is a difference of ₹500 between the cash book and pass book on 5.1.2008. This is because of the cheque of ₹500 deposited on 5.1.2008 but credited (on clearing) by the bank on the next day i.e. 6.1.2008. In the BRS as on 5.1.2008, starting with cash book balance, ₹500 will be :
- (a) Added to cash book balance (b) Deducted from cash book balance
(c) Added twice (d) ignored

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56. Mr. X presented three cheques ₹3,000, ₹4,000 and ₹3,500 with the bank on 26th March, 2008 out of these cheques, cheques amounting to ₹3,500 and ₹ 3,000 were shown in the pass book in the month of April 2008. While reconciling the balance on 31.3.2008 which of these cheques would be taken in reconciliation.
(a) ₹3,000 (b) ₹3,500 (c) ₹4,000 and ₹3,000 (d) ₹3,500 and ₹3,000
57. The bank statement shows an overdrawn balance of ₹2,000. A cheque for ₹500 drawn in favour of a creditor has not yet been presented for payment, the bank balance as per cash book will be.
(a) ₹1,500 (b) ₹2,500 (c) ₹1,500 (overdrawn) (d) ₹2,500 (overdrawn)
58. Bank balance as per cash book is ₹12,000 taking into account cheques worth ₹20,000 deposited in bank. Of the cheques deposited one cheque for ₹5,000 was yet to be cleared and another cheque for ₹4,000 was returned unpaid. The balance as per pass book is
(a) ₹3,000 (b) ₹3,500 (c) ₹21,000 (d) ₹4,500
59. Credit balance as per passbook on 31.3.2006 is ₹22,000. Cheques deposited but not cleared amount to ₹2,000 and cheques issued but not presented of ₹8,000. Balance as per cash book should be.
(a) ₹32,000 (b) ₹16,000 (c) ₹28,000 (d) ₹18,000
60. Debit balance as per cash book of Shyam enterprises as on 31.3.2008 is ₹1,500. Cheques deposited but not cleared amount ₹100 and cheque issued but not presented of ₹150. The bank allowed interest amounting ₹50 and collected dividend ₹50 on our behalf. Balance as per pass book should be :
(a) ₹1,650 (b) ₹1,600 (c) ₹1,850 (d) ₹1,450
61. A cheque of ₹35,000 received by M/s Nandini was endorsed to M/s Chandini on account of full settlement of ₹35,500 on 1st October, 2006. Chandini deposited the same into the bank on 4th October, 2006. In the books of M/s Chandini, the amount to be debited on 1st October, 2006 will be
(a) Cash account ₹35,000 and Discount account ₹500.
(b) Bank account ₹35,000 and Discount account ₹500.
(c) Cash account ₹35,500
(d) Bank account ₹35,500
62. Overdraft as per pass book is given ₹10,000
(i) Cheques deposited in the Bank but not recorded in Cash Book ₹100
(ii) Cheques drawn but not presented for payment ₹6,000
(iii) Bank charges recorded twice in cash book ₹30.
Overdraft as per Cash Book will be
(a) ₹16,000 (b) ₹16,130 (c) ₹15,000 (d) None of the three