

Illustration 1.

On 31st March, 2023, Bank Statement of a merchant shows a credit balance of ₹ 33,570 whereas Cash Book showed debit balance of ₹ 49,100.

It was observed that differences were because of the following:

Cheques and drafts sent to the bank but not collected and credited, amounted to ₹ 7,900 and three cheques drawn for ₹ 3,000; ₹ 1,500 and ₹ 2,000 respectively were not presented for payment till 30th April, 2023.

Bank has paid a bill amounting to ₹ 10,000 but it has not been recorded in the Cash Book and a cheque of ₹ 5,000 which was discounted with the bank was dishonoured by the drawee on the due date.

Bank has charged ₹ 130 as its commission for collecting outstation cheques and has allowed an interest of ₹ 1,000 on the trader's balance.

On 3rd April, 2023, bank reversed the interest of ₹ 1,000 being wrongly credited.

Prepare Bank Reconciliation Statement as on 31st March, 2023.

Solution:BANK RECONCILIATION STATEMENT *as on 31st March, 2023*

Particulars	Amount Details (₹)	Amount ₹
Balance as per Bank Statement (Cr.)		33,570
<i>Add:</i> Cheques deposited but not collected	7,900	
Bills paid but not recorded in Cash Book	10,000	
Cheque discounted dishonoured	5,000	
Bank charges charged but not recorded in Cash Book	130	23,030
		56,600
<i>Less:</i> Cheques issued but not presented for payment	6,500	
Interest allowed by the Bank*	1,000	7,500
Balance as per Cash Book (Dr.)		49,100

Alternate presentation of Bank Reconciliation Statement is as follows:

BANK RECONCILIATION STATEMENT *as on 31st March, 2023*

Particulars	Plus Items ₹	Minus Items ₹
Balance as per Bank Statement (Cr.)	33,570	
Cheques and drafts deposited but not yet collected and credited	7,900	
Cheques issued but not yet presented for payment		6,500
Bills paid by the bank but not entered in the Cash Book	10,000	
Cheque dishonoured	5,000	
Bank charges	130	
Interest allowed by the bank*		1,000
Balance as per Cash Book (Dr.) (₹ 56,600 – ₹ 7,500)		49,100
	56,600	56,600

* Bank has reversed the interest credited on 3rd April, 2023, *i.e.*, in the next year. Since the Bank Reconciliation Statement is prepared on 31st March, 2023 it will not affect the Bank Reconciliation Statement as on 31st March, 2023.

Illustration 2.

On 31st March, 2023, the Cash Book of Rohan showed an overdraft of ₹ 5,600. From the following particulars, prepare Bank Reconciliation Statement:

- (i) Cheques drawn but not cashed before 31st March, 2023 amounted to ₹ 3,946.
- (ii) Cheques paid into the bank but not credited before 31st March, 2023 amounted to ₹ 4,891.
- (iii) A cheque of ₹ 520 previously discounted with the bank had been dishonoured and bank charges debited in the Pass Book amounted to ₹ 55.
- (iv) Debit is made in the Pass Book for ₹ 120 on account of interest on overdraft.
- (v) The bank has collected interest on investment and credited ₹ 760 in the Pass Book.
- (vi) Overdraft balance as per Cash Book as on 28th February, 2023 ₹ 400 was wrongly carried forward as ₹ 400 debit balance. The error was noted at the time of preparing the Bank Reconciliation Statement on 31st March, 2023.

Solution:

BANK RECONCILIATION STATEMENT as on 31st March, 2023

Particulars	Plus Items (₹)	Minus Items (₹)
Overdraft Balance as per Cash Book (Cr.)		5,600
Cheques drawn but not cashed	3,946	
Cheques paid into the bank but not credited till 31st March		4,891
Cheque dishonoured previously discounted with the bank		520
Bank charges debited in the Pass Book		55
Interest on overdraft		120
Interest on investment	760	
Credit balance of Cash Book wrongly carried forward as debit balance		800
Overdraft Balance as per Pass Book (Dr.) (₹ 11,986 – ₹ 4,706)	7,280	
	11,986	11,986

Note: Since ₹ 400, credit balance is wrongly taken as debit balance. Thus, the effect will be of ₹ 800.

Illustration 3.

My bank Pass Book for Account No. 1 shows an overdraft of ₹ 65,000 on 31st March, 2023. This does not match with the Cash Book balance which shows debit balance of ₹ 17,800. Following differences were noted between Pass Book and Cash Book:

Cheques amounting to ₹ 1,50,000 were paid into the bank in March out of which only cheques amounting to ₹ 45,000 were credited by the bank. Cheques issued during March amounted in all to ₹ 1,10,000. Out of these, cheques for ₹ 30,000 were unpaid

on 31st March, 2023. The bank has wrongly debited Account No. 1 with ₹ 5,000 in respect of a cheque drawn on Account No. 2. The Account is debited with ₹ 1,500 for interest and with ₹ 300 for bank charges. The bank has paid annual subscription of ₹ 1,000 to my club according to my instructions. The entries for interest, bank charges and subscription have not yet been recorded in the Cash Book.

Prepare Bank Reconciliation Statement.

Solution:

BANK RECONCILIATION STATEMENT (Account No. 1)
as on 31st March, 2023

Particulars	Amount Details (₹)	Amount ₹
Overdraft Balance as per Pass Book (Dr.)		65,000
Add: Cheques issued but not yet presented for payment		30,000
		<u>95,000</u>
Less: Cheques deposited but not yet credited	1,05,000	
Amount wrongly debited by Bank in Account No. 1 instead of Account No. 2	5,000	
Amounts debited by Bank not recorded in Cash Book		
— Interest	1,500	
— Bank Charges	300	
— Club Subscription	1,000	
		<u>1,12,800</u>
Balance as per Cash Book (Dr.)		17,800

The above solution can also be presented with two columns using 'Plus' and 'Minus' method as follows:

BANK RECONCILIATION STATEMENT (Account No. 1)
as on 31st March, 2023

Particulars	Plus Items ₹	Minus Items ₹
Overdraft as per Pass Book (Dr.)		65,000
Cheques paid into the bank but not entered in the Pass Book (₹ 1,50,000 – ₹ 45,000)	1,05,000	
Cheques issued but not yet presented		30,000
Wrong debit to Account No.1 instead of Account No. 2	5,000	
Payment for charges made and entered in the Pass Book but not yet entered in the Cash Book:		
Interest	1,500	
Bank charges	300	
Subscription	<u>1,000</u>	
	2,800	
Balance as per Cash Book (Dr.) (₹ 1,12,800 – ₹ 95,000)		17,800
	<u>1,12,800</u>	<u>1,12,800</u>

Illustration 4.

On 31st March, 2023, Pass Book of Shri Rajendra shows a debit of ₹ 10,000. From the following, prepare Bank Reconciliation Statement:

- (i) Cheques amounting to ₹ 8,000 drawn on 25th March, 2023 of which cheques of ₹ 5,000 were encashed on 2nd April, 2023.
- (ii) Cheques paid into the bank for collection ₹ 5,000 but cheques of ₹ 2,200 could not be collected in March, 2023.
- (iii) Bank charges ₹ 25 and dividend of ₹ 350 on investments collected by the bank could not be shown in the Cash Book.
- (iv) A cheque of ₹ 10,000 was retired by the bank under rebate of ₹ 150 but the full amount was credited in the bank column of Cash Book. *(MSE Chandigarh, Modified)*

Solution:

BANK RECONCILIATION STATEMENT as on 31st March, 2023

Particulars	Amount Details (₹)	Amount ₹
Overdraft Balance as per Pass Book (Dr.)		10,000
Add: Cheques issued but not yet presented for payment	5,000	
Dividend credited by bank not recorded in Cash Book	350	
Rebate not recorded in Cash Book	150	5,500
		15,500
Less: Cheques deposited but not yet credited	2,800	
Bank charges debited by Bank not recorded in Cash Book	25	2,825
Overdraft Balance as per Cash Book (Cr.)		12,675

Illustration 5.

Cash Book of Rajiv showed an overdraft of ₹ 30,000 on 30th September, 2022 with his bank. On investigation it is found that:

- (i) Receipts side of Cash Book was undercast by ₹ 20,000.
- (ii) A cheque of ₹ 12,000 received from his customer and deposited into his bank was dishonoured and debited by Bank before 30th September, 2022, but no entry for dishonour was passed in the Cash Book.
- (iii) Bank had debited ₹ 2,800 as interest on overdraft up to 30th September, 2022 but no entry was passed in the Cash Book.
- (iv) Cheque issued amounting to ₹ 14,000 had not been presented for payment to the Bank up to 30th September, 2022.
- (v) Cheques amounting to ₹ 10,000 entered on the Receipts side of the Cash Book and deposited into the Bank have not been credited by Bank up to 30th September, 2022.

- (vi) A cheque for ₹ 6,000 drawn by another customer of the Bank of similar name had been debited to the account of Rajiv in error.

You are required to prepare Bank Reconciliation Statement as on 30th September, 2022.

Solution:

BANK RECONCILIATION STATEMENT
as on 30th September, 2022

Particulars	Plus Items ₹	Minus Items ₹
Bank Overdraft (Cr. Balance) as per Cash Book		30,000
Cheques deposited but not credited by Bank till date		10,000
Wrong debit given by the Bank for a cheque drawn by another customer of the same name		6,000
Cheque dishonoured by a debtor		12,000
Interest on Bank Overdraft		2,800
Cheque issued but not presented for payment till date	14,000	
Undercasting of Receipts Side	20,000	
Overdraft (Dr. Balance) as per Pass Book (₹ 60,800 – ₹ 34,000)	26,800	
	60,800	60,800

Illustration 6.

Bank Reconciliation Statement is prepared as on 31st March, 2023 starting with credit balance as per Bank Pass Book. State whether the following transactions will be shown in the Bank Reconciliation Statement by adding or deducting it from the given balance giving reason:

- (i) Bank had collected interest and credited the account by ₹ 5,000.
- (ii) A cheque for ₹ 10,000 collected by the bank was not recorded in Cash Book.
- (iii) Interest charged by the bank of ₹ 1,000.
- (iv) Bank had paid cheques of ₹ 20,000 which were issued but not recorded in the Cash Book.
- (v) Payments Side of the Cash Book was undercast by ₹ 10,000.
- (vi) Payments Side of the Cash Book overcast by ₹ 1,000.

Solution:

- (i) The amount (₹ 5,000) will be deducted from the Bank Pass Book balance since it is not recorded in the Cash Book and Bank Pass Book shows higher balance. By deducting the amount, Bank Pass Book balance will decrease and will be at par with Cash Book balance.

- (ii) The amount (₹ 10,000) will be deducted from the Bank Pass Book balance since it is not recorded in the Cash Book and Bank Pass Book shows higher balance. By deducting the amount, Bank Pass Book balance will decrease and will be at par with Cash Book balance.
- (iii) The amount (₹ 1,000) will be added to the Bank Pass Book balance since it has decreased the bank balance. As a result, bank balance will increase and will be at par with the Cash Book balance.
- (iv) The amount (₹ 20,000) will be added to the Bank Pass Book balance since it has decreased the bank balance. As a result, bank balance will increase and will be at par with the Cash Book balance.
- (v) The amount (₹ 10,000) will be added to the Bank Pass Book balance since Cash Book shows higher balance. As a result, bank balance will also increase bringing it at par with the Cash Book balance.
- (vi) The amount (₹ 1,000) will be deducted from the Bank Pass Book balance since it has decreased the Cash Book balance. As a result, bank balance will also decrease and will be at par with the Cash Book balance.

Illustration 7.

From the following particulars of a trader, prepare a Bank Reconciliation Statement as on 31st March, 2023:

- (i) Bank overdraft as per Cash Book ₹ 52,100.
- (ii) During the month, the total amount of cheques for ₹ 94,400 were deposited into the bank but of these, one cheque for ₹ 11,160 has been entered into the Pass Book on 5th April.
- (iii) During the month, cheques for ₹ 89,580 were drawn in favour of creditors. Of them, one creditor for ₹ 38,580 encashed his cheque on 7th April whereas another for ₹ 4,320 have not yet been encashed.
- (iv) As per instructions the bank on 28th March paid out ₹ 10,500 to a creditor but by mistake, the same has not been entered in the Cash Book.
- (v) According to agreement, on 25th March, a debtor deposited directly into the bank ₹ 9,000 but the same has not been recorded in the Cash Book.
- (vi) In the month of March, the bank without any intimation, debited his account for ₹ 120 as bank charges and credited the same for ₹ 180 as interest.
- (vii) Cash deposit of ₹ 5,780 in bank was recorded as ₹ 7,580. The error was rectified by the Bank before 31st March, 2023.

Solution:**BANK RECONCILIATION STATEMENT***as on 31st March, 2023*

Particulars	Amount Details (₹)	Amount ₹
Overdraft balance as per Cash Book (Cr.)		52,100
<i>Add:</i> Cheque deposited but not collected	11,160	
Direct payment to customer made by bank directly not recorded in Cash Book	10,500	
Bank charges debited not recorded in Cash Book	120	21,780
		73,880
<i>Less:</i> Cheques issued but not yet presented for payment (₹ 38,580 + ₹ 4,320)	42,900	
Cheque directly deposited into bank not recorded in Cash Book	9,000	
Interest credited by bank not recorded in Cash Book	180	52,080
Overdraft balance as per Pass Book (Dr.)		21,800

Note: Transaction no. (vii) will not have any effect on Bank Reconciliation Statement as on 31st March, 2023 as the error has been already rectified.