

CHAPTER 18: Bank Reconciliation Statement:

Bank Overdraft: It occurs when money is withdrawn from bank more than available balance i.e new balance is now below zero. This is current liability and payable within decided time period.

Standing Order: Instruction given to bank to pay fixed amounts after fixed intervals. Bank pays on behalf of account holder.

Direct Debit: An arrangement made with a bank that allows transferring money from a person's account on agreed dates to other person account, typically in order to pay utility bills.

Credit Transfer: A direct payment of money from one bank account to business bank account.

Unpresented Cheques: Cheques issued to suppliers and recorded on credit side of cash book bank column but didn't record in bank statement. These are payment cheques.

Uncredited Cheques: Cheques received from customers and recorded on debit side of cash book bank column, and then deposited (paid) into the bank but didn't show in bank statement.

Step 1:	Dr	Updated cash book (bank column)	Cr
		\$	\$
	*Balance B/F	XX	*Balance B/F
	Record receipt transactions which are recorded in bank statement on credit column but not on debit side of cash book bank column) e.g credit transfer	XX	Record payments transactions Which are recorded in Bank statement debit column but no recorded in cash book credit side e.g Direct debit
	Dividend received	XX	Bank charges
			Standing order
			Dishounered cheques
			Balance C/F
		XX	XX
	Balance B/F	XX	XX

* Given cash book closing bal may be on debit side or credit side so brought down accordingly.

Step 2: Bank reconciliation Statement

	\$	
Balance as per updated cash book Dr/(Cr)		XX/(XX)
Unpresented cheques		XX
Uncredited cheques (lodgments)		(XX)

Balance as per bank statement Cr/(Dr)		XX/(XX)
		=====

Or following formats are also accepted for Bank reconciliation statement

Bank reconciliation Statement

	\$	
Balance as per updated cash book Dr		XX
Add Unpresented cheques		XX
Less Uncredited cheques (lodgments)		XX

Balance as per bank statement Cr/(Dr)		XX/(XX)
		=====

Bank reconciliation Statement

	\$	
Balance as per updated cash book Cr		XX
Less Unpresented cheques		XX
Add Uncredited cheques (lodgments)		XX

Balance as per bank statement Cr/(Dr)		XX/(XX)
		=====

If started with Bank balance then BRS format will be

Bank reconciliation Statement

	\$	
Balance as per Bank statement Cr/(Dr)		XX/(XX)
Unpresented cheques		(XX)
Uncredited cheques (lodgments)		XX

Balance as per Updated cash book Dr/(Cr)		XX/(XX)
		=====

or

Bank reconciliation Statement

	\$	
Balance as per Bank statement Cr		XX
Less Unpresented cheques		XX

Add Uncredited cheques (lodgments)	XX
Balance as per Updated cash book Dr/(Cr)	XX/(XX)
And	<u> </u>

Bank reconciliation Statement

		\$
Balance as per Bank statement	Dr	XX
Add Unpresented cheques		XX
Less Uncredited cheques (lodgments)		XX
		<u> </u>
Balance as per bank statement	Dr/(Cr)	XX/(XX)

Practice Questions:

Q1: Peter Dlamini's Cash Book (bank column) had a debit balance of \$515 on 30 April 2003. This did not agree with the bank statement of the same date, which showed a balance of \$290.

The Cash Book was checked against the bank statement and the following differences were found:

1. Cheques totalling \$620 issued to creditors had not been presented to the bank for payment.
2. An amount of \$950 paid into the bank did not appear on the bank statement.
3. Cash sales deposited into the bank amounting to \$390 had been omitted from the Cash Book.
4. The bank had received \$150 by credit transfer (bank giro) from Klerk for Dlamini's account. Dlamini had not been advised.
5. A cheque for \$315 received from Joseph had been paid into the bank but it had now been returned unpaid. No action has been taken by Dlamini.
6. The following transaction by the bank had not been recorded in the Cash Book: Bank charges \$120.

REQUIRED:

- (a) Prepare an up-dated and balanced Cash Book.
- (b) Prepare a correctly headed statement to reconcile the adjusted Cash Book balance with the bank statement balance at 30 April 2003.

Q2: Kylie Johnson's cash book (bank columns) had a debit balance of \$460 on 30 April 2006. The bank statement at the same date showed that Kylie had a balance at the bank of \$323.

On checking the cash book against the bank statement the following differences were found.

- 1 A receivable, Nancy Tan, paid \$80 directly into the bank. This had not been recorded in the cash book.
- 2 Bank charges, \$50, were included on the bank statement but had not been recorded in the cash book.
- 3 Insurance paid, \$32, was recorded on the bank statement but not in the cash book.
- 4 A cheque, \$140, sent to a trade payable had not yet been presented to the bank for payment.

- 5 A transfer of \$125 from the business bank account to Kylie's private bank account had been entered in the cash book but not on the bank statement.
- 6 An amount of \$400 paid into the bank on 29 April did not appear on the bank statement.

REQUIRED

- (a) Starting with the balance on 30 April 2006, update the cash book and bring down the amended balance.
- (b) Prepare the bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 30 April 2006.

Q3: Mohan is a trader. On 24 April 2011 he had a bank overdraft of \$150.

The following transactions took place during the week ended 30 April 2011.

- April 25 Withdrew \$200, by cheque, for personal use.
- April 26 Paid by cheque the balances on the accounts owed to:
Kerai, \$400, less 3% cash discount
Susan, \$750, less 4% cash discount.
- April 27 Cash sales, \$630, paid into the bank.
- April 28 Received a cheque from Loula for the balance of her account, \$2000, less 4% cash discount.
- April 30 Cashed cheque to pay wages, \$430

REQUIRED

- (a) Prepare the bank columns of Mohan's cash book for the week ended 30 April 2011. Show the balance brought down on 1 May 2011. On 1 May 2011 Mohan received the following bank statement:

Bank Statement

	\$	\$	\$
April 24 Balance			150 Dr
April 25 Cheque	200		350 Dr
April 28 Cheque	388		738 Dr
April 29 Cheque	720		1 458 Dr
April 29 Credit Transfer (Dividend)		24	1 434 Dr
April 29 Credit		630	804 Dr

Required:

- (b) Starting with the closing balance from (a) update the bank columns in the cash book. Bring down the amended balance.
- (c) Prepare the bank reconciliation statement at 1 May 2011.

Q4: On 20 April, Goldy received the following bank statement.

	Dr	Cr	Balance
	\$	\$	\$
April 1	Balance b/d		650 Cr
8	Pacific Traders	1500	2150 Cr
12	Kwan	730	1420 Cr
15	Interest	12	1408 Cr
16	Credit transfer (dividends)	130	1538 Cr

REQUIRED

(a) Update the cash book for Goldy on 20 April. Balance the cash book on that date.

Cash book (bank columns only)					
		\$			\$
April 1	Balance b/d	650	April 12	Kwan	730
8	Pacific Traders	1500	17	Headland Garage	75
18	Stanton & Co	96			

(b) Prepare the bank reconciliation statement at 20 April.

Q5: Akma received the following bank statement on 30 April 2014:

Date	Details	Debit	Credit	Balance
		\$	\$	\$
1 April	Balance			614 Dr
2 April	Cheque – Stanning	88		702 Dr
10 April	Cash receipt		1204	502 Cr
12 April	Cheque – Chong	640		138 Dr
18 April	Paying in – Trinity Stores		780	642 Cr
20 April	Cheque – Pang	94		548 Cr

22 April	Charges	16		532 Cr
25 April	MDA Electricity – S.O.	104		428 Cr
28 April	Dividend receipt		41	469 Cr

Akma compared the bank statement with her cash book.

Cash Book (bank
columns)

		\$			\$
8 April	Sales	1204	1 April	Balance b/d	614
18 April	Trinity Stores	780	2 April	Stanning	88
23 April	Xain	73	8 April	Chong	640
24 April	Li Ye	37	23 April	Zaine	59
.....			27 April	Pang	94

REQUIRED

- (a) Bring the cash book of Akma up to date. Balance the cash book and bring down the balance.
- (b) Prepare the bank reconciliation statement at 30 April 2014.

Q6: Vigo's cash book (bank columns) showed the following entries.

Dr	Vigo Cash Book		Cr		
		\$	\$		
July 1	Balance b/d	1450	July 7	Singh	920
10	Cash	500	16	Robinson	480
19	Parker	260	24	Kings	220
31	Cash	200			

The following bank statement was received by Vigo.

Date	Details	Withdrawn	Paid in	Balance
		\$	\$	\$
July 1	Balance b/f			1450
10	Cash		500	1950
12	Singh	920		1030
19	Parker		260	1290
21	Robinson	480		810
22	Dishonoured cheque – Parker	260		550
25	Dividend		25	575
31	Bank charges	20		555

REQUIRED

- Calculate the cash book balance on 31 July. Prepare and update the cash book. Bring down the balance.
- Prepare a bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 31 July 2004.

Q7: On 30 September 2016 the balance on the bank account in the books of Gabi was \$450 debit. Gabi received a bank statement for September 2016. The differences between the bank account and the bank statement were as follows:

- A cheque for \$50 paid to J Simpson had not been presented for payment.
- Bank charges, \$230, had been charged to Gabi's account but were not recorded in Gabi's books.
- The bank had received a dividend payment, \$120, which was not recorded in Gabi's books.
- The cheque received from Kacela, \$860, was not recorded on the bank statement.

REQUIRED

- Update the bank account of Gabi. Balance the account and bring down the updated balance on 1 October.
- Prepare the bank reconciliation statement on 1 October 2016. Start with the updated bank account balance.

Q8: The following extract was taken from Abbie's cash book on 30 September 2015.

Cash Book (Bank Columns)

Date	Details	\$	Date	Details	\$
Sept 1	Balance b/d	290	Sept 8	Husna	102
9	L Lee	475	17	Yang Stores	849
15	Ng	150	23	Lam	364
21	JG Supplies	980	26	Xevera	500
29	Sampson	<u>625</u>	30	Balance c/d	<u>705</u>
		<u>2520</u>			<u>2520</u>
Oct 1	Balance b/d	705			

Abbie received the following bank statement on 1 October 2015.

Date	Details	Debit	Credit	Balance
		\$	\$	\$
Sept 1	Balance			290 Cr
9	L Lee		475	765 Cr
10	Husna	102		663 Cr
15	Ng		150	813 Cr
22	JG Supplies		980	1793 Cr
23	Bank charges	35		1758 Cr
24	Ng – Dishonoured	150		1608 Cr
25	YJ Electric	250		1358 Cr

Abbie compared the bank statement with her cash book.

REQUIRED

- Bring Abbie's cash book up to date. Balance the cash book and bring down the balance on 1 October 2015.
- Prepare the bank reconciliation statement at 1 October 2015.

Q9: Sally Major's cash book (bank column) had a debit balance of \$619 on 31 July 2006. The bank statement balance on 31 July 2006 was \$1594 credit. After checking the cash book against the bank statement the following differences were found:

- 1 A cheque for \$710 issued to Jon Fletcher had not been presented to the bank for payment.
- 2 An amount of \$1150 paid into a local bank branch by Sally did not appear on the bank statement.
- 3 Bank charges of \$170 shown on the bank statement, but had not been recorded in the cash book.
- 4 Dividends received, \$80, were shown on the bank statement but had not been recorded in the cash book.
- 5 A payment of \$5 cash for travel expenses had incorrectly been credited in the bank column of the cash book.
- 6 The bank statement showed a bank loan for \$1500 had been transferred into the bank current account. Sally Major was not expecting this transfer to take place until 1 August and had not yet recorded the transaction in her books.

REQUIRED

- (a) Starting with the balance on 31 July 2006, update the cash book and bring down the amended balance.
- (b) Prepare the bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 31 July 2006.

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