# Bank Reconciliation

## Bank Statement / Statement of Account

A bank statement is a copy of the customer's account in the books of the bank. It is a detailed statement of customer transactions for a given period of time (All deposits and withdrawals).

- When money is deposited into the bank, it is credited in the customer account.

- When money taken out / withdrew from the bank. It would be debited in his account.

## Cash Book (Bank Column):

It is an account prepared by the company to show all the deposits into the bank and withdrawals from the bank.

Re-conciliation means to compare or match.

Cash Book (bank column only)

COMPARING

Bank Statement
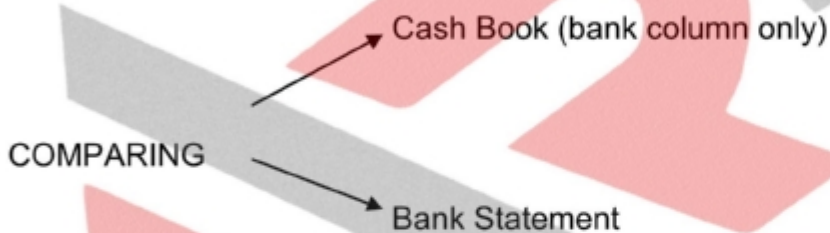
## Reasons for Disagreement

1. Un-credited Cheques / Deposits / Bank Lodgment.
2. Un-presented Cheques / Outstanding
3. Credit Transfer / Bank Giro / Direct-Transfer
4. Dishonored Chq / Unpaid Chq / Un-cleared Chq
5. Dividends
6. Interest Credited / Received
7: Interest Debited / Interest Charged
8. Standing Order
9. Direct Debits
10. Bank Charges

## Cheques
Cheque is a mode of payment through bank from current account or a deposit account|

## Cheque Book
It is a book containing cheques (25, 50 or 100), to pay someone

## Current Account
A bank account that is normally used for day to day transactions and it does not carry interest

## Savings / Deposit Account
These Accounts generally earn interest and are not accessible on frequent or regular basis

## Pay-in-Slip
When we want to deposit cash or cheque into our account or any other account we use pay-in-slip to deposit funds into our account. We need to write account no, name of account holder amount with date and signature.

## Validity of Cheque
Cheque remains valid for six months from the date of issue. Cheque can be cleared transferred in an account in minimum one day and maximum three days.

## Cheques / Deposits / Bank Lodgment
Cheques deposited in the bank, but they are still in banking channel. Not yet appeared in bank statement

## Un-Presented Cheques / Outstanding Cheques
Cheques issued to suppliers, but the supplier has not presented them to the bank for payment. Bank has not yet deducted the amount from our account

## Credit Transfer / Bank Giro / Direct Transfer.
When bank directly collects money from the customer of the company it is known as Direct transfer which has been recorded in bank but not yet recorded in cashbook.

## Dishonored Cheques / Unpaid Cheques / UnclearedCheques.
When a cheque is received from a customer and paid into the bank, it is recorded on the debit side of the Cash Book. It is also shown on the bank statement as a deposit increasing the balance on the account. However, at a later date it may be found that the customer's bank will not pay the amount due on the cheque. The customer's bank has failed to 'honor' the cheque. The cheque is described as a dishonored cheque.

## Dividend
When company invests money in shares, it receives dividend as income directly into the bank, it is already recorded in bank but not yet added in cashbook.

## Interest Credited / Interest Received
when company receives interest on its deposits it is known interest received, Bank has already credited it into our account, but not recorded yet in cashbook. So we have to add amount in the cashbook.

## Interest Debited / Interest Charged
When companies pay the interest on loan known as interest debited, it has been deducted from the company's bank account, but not yet deducted from cashbook so we will do it.

## Standing Order
when companies instruct its bank to pay fixed amount regularly at stated dates to a particular firm/person, it is known as standing order. It has been already deducted from bank, but we have to make an adjustment in cashbook.

**Direct Debits**

these are payments which have to be made, such as gas bills, electricity bills, telephone bills, rates, and insurance premiums. Instead of asking the bank to pay the money, as with standing orders, you give permission to the creditor to obtain the money directly from your bank account. This is particularly useful if the amounts payable may vary from time to time, as it is the creditor who changes the payments, not you. With standing orders, if the amount is ever to be changed, *you* have to inform the bank. With direct debits it is *the creditor* who informs the bank.

**Bank Charges**

Amount deducted by the bank directly from company's bank account for the services they are providing to the company (e.g. Account operation, safe deposit, cheque book, deposit slip etc). We have to deduct this amount from cashbook.

### Updated / Revised / Amended Cash Book

| | | | | |
|---|---|---|---|---|
| Balance b/d | XXX | OR | Balance b/d (Overdraft) | XXX |
| Trader's Credit / Transfer | XXX | | Direct Debit | XXX |
| Interest Credited | XXX | | Standing Order | XXX |
| Dividend Received | XXX | | Bank Charges | XXX |
| Debtor Paid Directly | XXX | | Interest Charged | XXX |
| | | OR | Dishonored / Unpaid Cheque | XXX |
| Balance c/d (Overdraft) | XXX | | Balance c/d | XXX |
| | **XXX** | | | **XXX** |
| Balance b/d | XXX | | Balance b/d (Overdraft) | XXX |

**Bank Reconciliation Statement**

| | |
|---|---|
| Bal as per Updated Cash book | XXX |
| Add: Un-Presented cheques | XXX |
| Less: Un-Credited lodgments | (XXX) |
| | |
| Balance as per bank statement | XXX |

**Q1.** At 30 April 2011 Robbie and Liza had a debit balance in the bank column of their cash book of $12000. Their bank statement, however, showed that the partnership had $9000 in the bank at that date.

On comparing the cash book with the bank statement the following differences were found:

1 Bank charges of $250 appeared in the bank statement but had not been entered in the cash book.

2 Cheques received from customers amounting to $3750 had been entered in the cash book but had not been credited by the bank.

3 A cheque for $600 received from a debtor had been entered in the cash book but had been returned by the bank marked 'insufficient funds for payment'.

4 Cheques issued by the business amounting to $1600, recorded in the cash book, did not appear in April's bank statement.

**REQUIRED**

(c) (i) Update Robbie and Liza's cash book for the month of April 2011.

(ii) Prepare a bank reconciliation statement at 30 April 2011 to reconcile the bank statement balance with the updated cash book balance.

(d) Give **three** reasons why the bank column balance in the cash book does not always agree with the balance shown in the bank statement at the same date.

**Q2.** The Netherdale Sports Club's Receipts and Payments Account shows the following transactions for the year ended 30 April 2006.

| RECEIPTS | $ | PAYMENTS | $ |
|---|---|---|---|
| Balance b/d | 20 000 | National club fees | 3 000 |
| Subscriptions | 72 000 | Restaurant supplies | 51 000 |
| Restaurant takings | 108 000 | Purchase of clubhouse | 50 000 |
| Annual dance | 8 900 | Loan interest | 2 200 |
| Sale of equipment | 6 000 | Purchase of equipment | 14 000 |
| Loan to purchase clubhouse | 20 000 | Restaurant wages | 22 000 |
| | | Repairs and maintenance | 12 400 |
| | | Annual dance | 4 950 |
| | | Administration of annual dance | 320 |
| | | Electricity | 11 000 |
| | | General wages | 60 000 |
| | | Balance c/d | 4 030 |
| | 234 900 | | 234 900 |
| Balance b/d | 4 030 | | |

When the club's bank statements for the year ended 30 April 2006 were studied, the following were discovered.

(i) Bank interest of $100 for the year had been credited in the bank statement but no entry appeared in the receipts and payments account.

(ii) Electricity was paid by direct debit at $1000 per month but the entry for January 2006 had been omitted from the receipts and payments account.

(iii) $4000 had been banked for restaurant takings on 30 April 2006. This had been entered in the receipts and payments account but did not appear on the bank statement.

(iv) A cheque for $2800 for repairs and maintenance, posted on 29 April 2006, was included in the receipts and payments account but had not yet been presented to the bank for payment.

**REQUIRED**

**(a) (i)** Update the Netherdale Sports Club's Receipts and Payments Account.

   **(ii)** Prepare a bank reconciliation statement at 30 April 2006 to reconcile the bank statement with the updated receipts and payments balance.

**Q3.** At 31 July 2014 Cha Ya Wen had a debit balance of $8000 in the bank column of his cash book. His bank statement showed a credit balance of $5600 at the same date.

On comparing the cash book with the bank statement the following discrepancies were found:

1   Bank charges of $150 appeared in the bank statement but had not been entered in the cash book.

2   A credit of $450 for dividends received had not been entered in the cash book.

3   Cheques received from customers amounting to $3500 had been entered in the cash book but had not yet been credited by the bank.

4   A cheque for $1200 received from a debtor had been returned by the bank marked 'insufficient funds for payment'.

5   Cheques issued by the business amounting to $2000 were recorded in the cash book but did not appear in the bank statement.

**REQUIRED**

**(c)** Update the bank columns of Cha Ya Wen's cash book for the month of July 2014.

**(d)** Prepare a bank reconciliation statement as at 31 July 2014.

## Q4

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**

|  | Dr $ | Cr $ | Balance $ |
|---|---|---|---|
| April 24 Balance |  |  | 150 Dr |
| April 25 Cheque | 200 |  | 350 Dr |
| April 28 Cheque | 388 |  | 738 Dr |
| April 29 Cheque | 720 |  | 1458 Dr |
| April 29 Credit Transfer (Dividend) |  | 24 | 1434 Dr |
| April 29 Credit |  | 630 | 804 Dr |

**(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.

## Q5

1 Kylie Johnson's cash book (bank columns) had a debit balance of $460 on 30 April 2006. Use 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 debtor, 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 creditor 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 Use with the bank statement balance at 30 April 2006.

(c) Explain how the following would appear in the ledger accounts of Kylie Johnson:

(i) Bank overdraft;(ii) Short term loan from the business to Kylie Johnson.

## Q6

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

Vigo

| Dr | | **Cash Book** | | Cr |
|---|---|---|---|---|
| July | $ | July | | $ |
| 1 Balance b/d | 1450 | 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 Dishonored cheque – Parker | 260 | | 550 |
| 25 Dividend | | 25 | 575 |
| 31 Bank charges | 20 | | 555 |

**REQUIRED**

(a) Calculate the cash book balance on 31 July. Prepare and update the cash book. Bring down the balance.

(b) Prepare a bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 31 July 2004.

(c) Explain how the cash book is **both** a book of prime entry **and** a ledger account.

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## Q7

**1** 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.

**Q8** 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**

**(c)** 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 | | | |

**(d)** Prepare the bank reconciliation statement at 20 April.

## Q9

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.

## REQUIRED

**(a)** Bring the cash book of Akma up to date. Balance the cash book and bring down the balance.

## 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 |
| | ..................................... | | | ..................................... | |
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**(b)** Prepare the bank reconciliation statement at 30 April 2014.

Bank Reconciliation Statement at 30 April 2014

| | $ | $ |
|---|---|---|
| Balance as per bank statement | | 469 |
| Plus | | |
| ..................................................................... | | |
| ..................................................................... | | |
| ..................................................................... | | |
| Less | | |
| ..................................................................... | | |
| ..................................................................... | | |
| Balance as per cash book ........................................... | | |

**(c)** State the meaning of the accounting abbreviation S.O.

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## Q10

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 | 625 | | 30 | Balance c/d | 705 |
| | | | 2520 | | | | 2520 |
| 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

(a) Bring Abbie's cash book up to date. Balance the cash book and bring down the balance on 1 October 2015.

(b) Prepare the bank reconciliation statement at 1 October 2015.