Bank Reconciliation

Bank Statement / Statement of Account

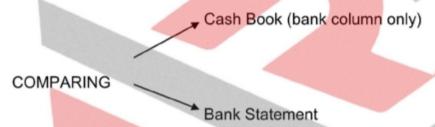
A bank statement is a copy of the customer's account in the books of the bank. It is a detailed statement of customer transactions for a given period of time (All deposits and withdrawals).

- · 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.



Reasons for Disagreement

- Un-credited Cheques / Deposits / Bank Lodgment.
- Un-presented Cheques / Outstanding
- Credit Transfer / Bank Giro / Direct-Transfer
- 4. Dishonored Chg / Unpaid Chg / Un-cleared Chg
- Dividends
- Interest Credited / Received
- 7: Interest Debited / Interest Charged
- Standing Order
- Direct Debits
- 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

Cheques 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 / Uncleared Cheques.

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

BANK RECONCILIATION

1 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 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.
- 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.

(a) Starting with the balance on 30 April 2006, update the cash book and bring down the

REQUIRED

amended balance

Dr Cash Book (bank columns)	Cr

(b) Prepare the bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 30 April 2006.

Kylie Johnson Bank Reconciliation Statement as at 30 April 2006

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(c)	Ext	plain how the following would appear in the ledger accounts of Kylie Johnson:	
`-'		Bank overdraft;	
	(')	Balik Overdrait,	
			•••
			••••
			[2]
	(ii)	Short term loan from the business to Kylie Johnson.	
			[2]
		[Total: 1	[7]

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:

- 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.
- Cash sales deposited into the bank amounting to \$390 had been omitted from the Cash Book.
- 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.
[6
[V

(b)	Prepare a correctly headed statement to reconcile the adjusted Cash Book balance with the bank statement balance at 30 April 2003.
los.	
	[9]

Q3 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.

Dat	te	Details	Debit	Credit	Balance
			\$	\$	\$
Sep	ot 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.

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

Cash Book (Bank Columns)

Date		Details	\$	Date	Details	\$
Oct	1	Balance b/d	705			

			[4
(b) Prepare the bank reconciliation statement at	October 2015.		
Bank Reconciliation Statemen	ent at 1 October 2015		
Balance as per bank statement	\$	\$ 1358	
Plus			
			••••
Less			
Balance as per cash book			

[5]

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

Dr	Vigo Cash Book				
		\$			\$
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		A STATE OF THE PARTY OF THE PAR	

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	(B)	1030
19	Parker		260	1290
21	Robinson	480		810
22	Dishonoured cheque - Parke	er 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.

Cr	Vigo Cash Book	Dr
[5]		

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

o atement as at 31 July		
[6]		
ok of prime entry and a ledger account.	Explain how the cash book is both a	(c)
[2]		
[Total: 13]		