Bank Reconciliation Statement

Standard difficulty · 20 questions · 40 marks · Time: 46 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. A favourable bank balance shows in the cash book as a:

(a) nil balance **(b)** contra entry **(c)** credit balance **(d)** debit balance

2. Starting from the debit balance of the cash book, the item “interest credited by the bank, not entered in the cash book” is:

(a) entered in the sales book **(b)** shown in the balance sheet only

(c) added **(d)** ignored

3. Starting from the credit balance of the pass book, the item “rent received directly into the bank account” is:

(a) shown in the balance sheet only **(b)** ignored

(c) added **(d)** subtracted

4. The cash book shows a bank balance of ₹72,500 (debit). Electricity bill paid by the bank under standing instructions: ₹2,500. What is the balance as per the pass book?

(a) ₹70,000 **(b)** ₹72,500 **(c)** ₹77,500 **(d)** ₹75,000

5. The pass book shows a credit balance of ₹54,500. (1) Insurance premium paid by the bank under standing instructions: ₹4,000; (2) Interest charged by the bank on a loan, not in the cash book: ₹3,750. What is the balance as per the cash book?

(a) ₹63,250 **(b)** ₹46,750 **(c)** ₹62,750 **(d)** ₹62,250

6. The cash book shows an overdraft of ₹21,000. (1) A bill receivable collected directly by the bank: ₹6,500; (2) Cheques issued to creditors and not yet cashed by them: ₹12,000. What is the overdraft as per the pass book?

(a) ₹3,000 **(b)** ₹39,500 **(c)** ₹2,500 **(d)** ₹3,500

7. The cash book shows a debit balance of ₹13,000. (1) Cheques issued to creditors and not yet cashed by them: ₹14,500; (2) Commission charged by the bank for collecting cheques: ₹800; (3) Insurance premium paid by the bank under standing instructions: ₹4,000. What does the pass book show?

(a) ₹13,000 **(b)** ₹3,300 **(c)** ₹32,300 **(d)** ₹22,700

8. On 31 March the cash book shows a bank balance of ₹5,500 and the pass book an overdraft of ₹5,500. Which is true?

(a) the two books disagree and must be reconciled

(b) the two balances agree

(c) the bank has made no entries

(d) the cash book shows an overdraft too

Section B — Short answer — 8 × 2 = 16 marks

9. What is a bank reconciliation statement?

10. Starting from the cash book balance, is each added or subtracted? (a) a cheque deposited was dishonoured, not entered in the cash book (b) a bill receivable collected directly by the bank

11. Cash book balance (debit): ₹43,000. (1) Cheques issued to creditors and not yet cashed by them: ₹18,000; (2) A cheque deposited was dishonoured, not entered in the cash book: ₹9,000; (3) Rent received directly into the bank account: ₹9,000. Find the pass book balance.

12. Pass book balance (credit): ₹13,000. (1) Rent received directly into the bank account: ₹1,500; (2) Interest credited by the bank, not entered in the cash book: ₹2,450; (3) Bank charges debited in the pass book only: ₹900. Find the cash book balance.

13. The pass book shows an overdraft of ₹23,000. (1) Commission charged by the bank for collecting cheques: ₹750; (2) Rent received directly into the bank account: ₹8,500. Find the overdraft as per the cash book.

14. How does each make the two balances differ: (a) Bank charges debited in the pass book only (b) Dividend collected by the bank, not entered in the cash book

15. The cash book shows ₹60,000 (debit). The pass book shows bank charges of ₹1,950 and interest credited of ₹2,500, not in the cash book. (a) What is the corrected cash book balance? (b) Which entry records the charges?

16. The cash book shows ₹50,000 (debit). A cheque of ₹17,500 issued to a supplier was not presented for payment, and a cheque of ₹9,000 deposited by the firm was not yet collected. What is the pass book balance?

Section C — Word problems — 4 × 4 = 16 marks

17. Explain the causes of difference between the cash book and pass book balances.

18. Prepare a bank reconciliation statement on 31 March. Balance as per the cash book (debit balance): ₹49,000. (1) A bill receivable collected directly by the bank: ₹14,500; (2) Interest charged by the bank on a loan, not in the cash book: ₹3,050; (3) Electricity bill paid by the bank under standing instructions: ₹3,250; (4) Cheques issued to creditors and not yet cashed by them: ₹9,000; (5) Dividend collected by the bank, not entered in the cash book: ₹2,350.

19. Prepare a bank reconciliation statement on 31 March starting from the pass book. Balance as per the pass book (credit balance): ₹56,000. (1) Interest credited by the bank, not entered in the cash book: ₹1,650; (2) A customer paid directly into the bank account: ₹10,000; (3) Commission charged by the bank for collecting cheques: ₹850; (4) Dividend collected by the bank, not entered in the cash book: ₹5,650.

20. The cash book shows a bank balance of ₹47,500 (debit). The pass book shows these items not in the cash book: (1) A bill receivable collected directly by the bank: ₹13,000; (2) Electricity bill paid by the bank under standing instructions: ₹3,750; (3) A customer paid directly into the bank account: ₹9,000. Also, cheques of ₹18,000 issued were not presented and cheques of ₹5,000 deposited were not credited. Find (a) the corrected cash book balance (b) the pass book balance.

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Answer key

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Q	Answer	Working
1	**(d) debit balance**	—
2	**(c) added**	—
3	**(d) subtracted**	—
4	**(a) ₹70,000**	₹72,500 − ₹2,500
5	**(d) ₹62,250**	Balance as per the pass book (credit balance): ₹54,500 Add: insurance premium paid by the bank under standing instructions ₹4,000; interest charged by the bank on a loan, not in the cash book ₹3,750 (total ₹7,750) Balance as per the cash book (debit balance): ₹62,250
6	**(c) ₹2,500**	Overdraft as per the cash book (credit balance): ₹21,000 Less: a bill receivable collected directly by the bank ₹6,500; cheques issued to creditors and not yet cashed by them ₹12,000 (total ₹18,500) Overdraft as per the pass book (debit balance): ₹2,500
7	**(d) ₹22,700**	Balance as per the cash book (debit balance): ₹13,000 Add: cheques issued to creditors and not yet cashed by them ₹14,500 (total ₹14,500) Less: commission charged by the bank for collecting cheques ₹800; insurance premium paid by the bank under standing instructions ₹4,000 (total ₹4,800) Balance as per the pass book (credit balance): ₹22,700
8	**(a) the two books disagree and must be reconciled**	A debit balance in the pass book is an overdraft, opposite to a favourable cash book balance
9	**A statement prepared on a date to explain the differences between the bank balance shown by the cash book and by the pass book.**	—
10	**(a) subtracted (b) added**	—
11	**₹61,000**	Balance as per the cash book (debit balance): ₹43,000 Add: cheques issued to creditors and not yet cashed by them ₹18,000; rent received directly into the bank account ₹9,000 (total ₹27,000) Less: a cheque deposited was dishonoured, not entered in the cash book ₹9,000 (total ₹9,000) Balance as per the pass book (credit balance): ₹61,000
12	**₹9,950**	Balance as per the pass book (credit balance): ₹13,000 Add: bank charges debited in the pass book only ₹900 (total ₹900) Less: rent received directly into the bank account ₹1,500; interest credited by the bank, not entered in the cash book ₹2,450 (total ₹3,950) Balance as per the cash book (debit balance): ₹9,950
13	**₹30,750**	Overdraft as per the pass book (debit balance): ₹23,000 Add: rent received directly into the bank account ₹8,500 (total ₹8,500) Less: commission charged by the bank for collecting cheques ₹750 (total ₹750) Overdraft as per the cash book (credit balance): ₹30,750

Q	Answer	Working
14	**(a) the pass book shows less than the cash book (b) the pass book shows more than the cash book**	—
15	**(a) ₹60,550 (b) Bank Charges A/c Dr.; To Bank A/c**	₹60,000 − ₹1,950 + ₹2,500
16	**₹58,500**	₹50,000 + ₹17,500 − ₹9,000
17	**Timing: cheques issued but not presented, cheques deposited but not cleared; items known only to the bank: bank charges, interest, direct deposits and payments, dishonour; and errors in either book.**	—
18	**Balance as per the cash book (debit balance): ₹49,000** **Add: a bill receivable collected directly by the bank ₹14,500; cheques issued to creditors and not yet cashed by them ₹9,000; dividend collected by the bank, not entered in the cash book ₹2,350 (total ₹25,850)** **Less: interest charged by the bank on a loan, not in the cash book ₹3,050; electricity bill paid by the bank under standing instructions ₹3,250 (total ₹6,300)** **Balance as per the pass book (credit balance): ₹68,550**	Starting from the cash book
19	**Balance as per the pass book (credit balance): ₹56,000** **Add: commission charged by the bank for collecting cheques ₹850 (total ₹850)** **Less: interest credited by the bank, not entered in the cash book ₹1,650; a customer paid directly into the bank account ₹10,000; dividend collected by the bank, not entered in the cash book ₹5,650 (total ₹17,300)** **Balance as per the cash book (debit balance): ₹39,550**	Starting from the pass book, the signs are the reverse of those from the cash book
20	**(a) ₹65,750; (b) ₹78,750**	(a) ₹47,500 + ₹13,000 − ₹3,750 + ₹9,000; (b) ₹65,750 + ₹18,000 − ₹5,000

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