

14

BANK RECONCILIATION STATEMENTS

this chapter covers . . .

In the last chapter we balanced the cash book of a business to find out the balance of the bank account.

In this chapter we look at the way in which a business deals with any differences between the balance of the bank account in the cash book and the closing balance of the bank account shown by the bank statement for the same period.

These differences are explained by a document known as a bank reconciliation statement: which lists

- *items which are in the cash book but not on the bank statement*
- *items which are on the bank statement but not in the cash book*

This process is an important one: it enables the business to update its cash book and also helps to prove the accuracy of the bookkeeping of the business and the bank.

OCR LEARNING OUTCOMES

unit 3: MAINTAINING THE CASH BOOK

Assessment objectives

4 Prepare a Bank Reconciliation Statement

- Compare transactions that appear on both Cash Book and Bank Statement*
- Update Cash Book from details of transactions appearing on Bank Statement*
- Balance the bank columns of the Cash Book to calculate the revised balance*

5 Complete a Bank Reconciliation Statement

- Enter correct date of the statement*
- Enter the balance at bank as per the Cash Book*
- Enter details of unpresented cheques*
- Enter sub-total on reconciliation statement*
- Enter details of bank lodgements*
- Calculate balance as per Bank Statement*

THE NEED FOR AN ACCURATE CASH BOOK

Most organisations keep a record of their cash and bank transactions in a cash book (see Chapter 13). The cash book contains a record of both the cash account and the bank account and shows the balance in each account at the end of a period. Once the cash book has been balanced off it is usual to check the details with the records of the firm's bank transactions as recorded by the bank.

To enable this check to be made the cashier will need to ensure that the cash book is completely up-to-date and a recent bank statement has been obtained from the bank.

Often, when a comparison is made between the bank balance as shown in the firm's cash book with that shown on the bank statement, the two balances will be different. It is for this reason that a **bank reconciliation statement** is prepared to **reconcile** ('tally up') the two balances. The reconciliation may identify errors that may have been made in either the firm's cash book or in the bank's records. Any corrections can then be made.

An example of a bank reconciliation statement is shown below. As you can see, it is a very simple calculation. The process of drawing up a bank reconciliation statement will be explained in full on pages xx-xx.

| CECILIA WHOLESALE LIMITED | | |
|--|------------|-------------------|
| Bank Reconciliation Statement as at 31 October 2004 | | |
| | £ | £ |
| Balance at bank as per Cash Book | | 525 |
| <i>Add: unpresented cheques</i> | | |
| Taverner Trading Company | 60 | |
| Puccini Partnership | 100 | |
| B Britten Ltd | <u>80</u> | |
| | | <u>240</u> |
| | | 765 |
| <i>Less: outstanding lodgements</i> | | |
| | 220 | |
| | <u>300</u> | |
| | | <u>520</u> |
| Balance at bank as per bank statement | | <u><u>545</u></u> |

THE BANK STATEMENT

A bank statement is a copy of a bank account as shown by the bank records. Bank statements are sent out to customers on a regular basis, for example every month. This enables the customer to check their funds in the bank (or borrowing on overdraft) regularly and to update their own records of transactions that have occurred. It could be, for example, that the bank has not previously notified them of a certain deduction from the account, for example bank charges.

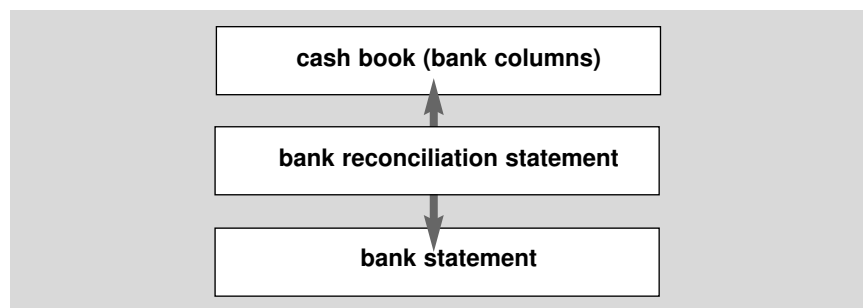
An example of a bank statement is shown below: If you are not familiar with the details of payments – eg SO (standing order), DD (direct debit), BGC (bank giro credit), BACS (Bankers Automated Clearing Services) – you should read the last chapter which introduces these terms.

| STATEMENT | | National Bank PLC | | |
|------------------|----------------------------|---|---------------|----------------|
| | | 5-6 Christmas Square Mereford MR1 7GH | | |
| Account | Teme Computers | | | |
| Account Number | 12037661 | | | |
| Sheet | 17 | | | |
| Date | 31 October 2004 | | | |
| Date | Details | Debit | Credit | Balance |
| 2004 | | | | |
| 01 Oct | Balance | | | 405.93 CR |
| 01 Oct | Cheques | | 590.53 | 996.46 CR |
| 07 Oct | 619651 | 298.64 | | 697.82 CR |
| 07 Oct | 619652 | 100.00 | | 597.82 CR |
| 13 Oct | RT Telecom (DD) | 154.00 | | 443.82 CR |
| 15 Oct | 619653 | 58.90 | | 384.92 CR |
| 17 Oct | Mereford City Council (SO) | 240.00 | | 144.92 CR |
| 20 Oct | GH Trading (BGC) | | 230.00 | 374.92 CR |
| 20 Oct | Cheque | | 127.80 | 502.72 CR |
| 23 Oct | Cash | | 450.00 | 952.72 CR |
| 24 Oct | Tombenco (BACS) | | 120.50 | 1073.22 CR |
| 27 Oct | Unpaid cheque | 127.80 | | 945.42 CR |
| 31 Oct | 619654 | 45.75 | | 899.67 CR |
| 31 Oct | Bank charges | 24.30 | | 875.37 CR |

WHY DO YOU NEED A BANK RECONCILIATION STATEMENT?

reconciliation

'Reconciliation' between the cash book and the bank statement final balance simply means **an explanation of the differences**. This explanation takes the form of a written calculation (see page xx for an example). The process can be seen as follows:



Differences between the cash book and the bank statement can arise from:

- **timing** of the recording of the transactions
- **errors** made by the business, or by the bank

We will explain each of these in turn.

timing differences – items recorded in the cash book

When a business compares the balance according to its cash book with the balance as shown by the bank statement there is often a difference. This difference can be caused by the **timing** of payments. For example:

- A cashier may send cheques out to suppliers, some of whom may pay in the cheque at the bank immediately while others may keep the cheque for several days before paying it in. When this happens the cashier will have recorded all the payments in the cash book. However, the bank records will only show the cheques that have actually been paid in by the suppliers and deducted from the business bank account.

These cheques are known as **unpresented cheques**.

- With another type of timing difference – known as **outstanding lodgements** – the firm's cashier records a receipt in the cash book as he or she prepares the bank paying-in slip. However, the receipt may not be recorded by the bank on the bank statement for a day or so, particularly if it is paid in late in the day (when the bank will put it into the next day's work), or if it is paid in at a bank branch other than the one at which the account is maintained.

timing differences – items not recorded in the cash book***payments in***

Another timing difference may also occur when the bank has received a direct payment from a customer of the business. In this instance the bank will have recorded the receipt in the business's account at the bank but the business will be unaware of the payment and will not, therefore, have recorded the receipt in the cash book. This type of payment includes:

- standing order and BACS (Bankers' Automated Clearing Services), ie incoming payments received on the account, eg payments from debtors (customers) when the payment has not been advised to the business
- bank giro credit amounts received by the bank, eg payments from debtors (customers) when the payment has not been advised
- interest and refunds credited by the bank

payments out

Another reason why the balance of the cash book and the balance of the bank statement may not agree is because the bank may have deducted items from the customer's account, but the customer may not be aware of the deduction until the bank statement arrives. Examples of these deductions include:

- standing order and direct debit payments which the customer did not know about
- bank charges for running the account
- interest charged for overdrawn balances
- unpaid cheques deducted by the bank – ie stopped and 'bounced' cheques (see page xx)

differences caused by errors

Sometimes the difference between the two balances may be accounted for by an error on the part of the bank or an error in the cash book of the business. It is for this reason that a bank reconciliation is carried out frequently so that errors may be identified and rectified as soon as possible.

It is good business practice to prepare a bank reconciliation statement each time a bank statement is received. The reconciliation statement should be prepared as quickly as possible so that any queries – either with the bank statement or in the firm's cash book – can be resolved. Many firms will specify to their accounting staff the timescales for preparing bank reconciliation statements. For example, if the bank statement is received weekly, then the reconciliation statement should be prepared within five working days.

PREPARING THE BANK RECONCILIATION STATEMENT

When a bank statement has been received, reconciliation of the two balances is carried out in the following way:

- step 1** The cashier will tick off the items that appear in both the cash book and the bank statement.
- step 2** The unticked items on the bank statement are entered into the bank columns of the cash book to bring it up to date.
- step 3** The bank columns of the cash book are now balanced to find the revised figure.
- step 4** The remaining unticked items from the cash book will be the timing differences.
- step 5** The timing differences are used to prepare the bank reconciliation statement (see below).

We will explain how this procedure is carried out in the Case Study which follows on the next page. First, however, we will revise what we have covered in this chapter so far by looking at a specimen bank reconciliation statement. Study the format shown below and the explanatory notes. Relate them to the text on the previous two pages.

| CECILIA WHOLESALE LIMITED | | | |
|--|------------|--|-------------------|
| Bank Reconciliation Statement as at 31 October 2004 | | | |
| | £ | | £ |
| Balance at bank as per Cash Book | | start with the cash book balance, updated from the bank statement | 525 |
| <i>Add:</i> unpresented cheques | | | |
| Taverner Trading Company | 60 | | |
| Puccini Partnership | 100 | | |
| B Britten Ltd | <u>80</u> | | |
| | | add cheques that have been issued, but which are not on the bank statement | <u>240</u> |
| | | | 765 |
| <i>Less:</i> outstanding lodgements | 220 | | |
| | <u>300</u> | | |
| | | deduct any amounts paid in, but which are not on the bank statement | <u>520</u> |
| Balance at bank as per bank statement | | this should agree with the final balance on the bank statement | <u><u>545</u></u> |

CASE STUDY

HURST & CO: BANK RECONCILIATION STATEMENT

situation

Carol works as a cashier for Hurst & Co., Solicitors. Her responsibilities include entering and maintaining the firm's cash book and preparing a bank reconciliation statement at the end of the month.

The firm's cash book for July 2004 which Carol has just finished entering and balancing for the month end is shown below (Note: for the sake of clarity the cash and discount columns have been omitted.) A copy of the firm's bank statement from the Star Bank Limited dated 31 July 2004 has just been received and is also illustrated. The numerical difference between the two is:

Bank statement £903.00 *minus* cash book £641.70 = £261.30

This is the difference which Carol will have to 'reconcile'.

Carol now follows the five steps outlined on the previous page.

Step 1 – tick off the items in both cash book and bank statement

Carol ticks off the items that appear in both the cash book and the bank statement.

| Hurst & Co – Cash Book | | | | | |
|------------------------|--------------|----------|----------|-----------------------------|----------|
| RECEIPTS | | | PAYMENTS | | |
| Date | Details | Bank | Date | Details | Bank |
| 2004 | | £ | 2004 | | £ |
| 1 July | Balance b/d | 756.20 ✓ | 2 July | T Able 004450 | 50.00 ✓ |
| 3 July | Kershaw Ltd | 220.00 ✓ | 2 July | Broad & Co 004451 | 130.00 |
| 15 July | Morris & Son | 330.00 ✓ | 2 July | Gee & Co 004452 | 10.00 ✓ |
| 31 July | Pott Bros | 63.00 | 8 July | Minter Ltd 004453 | 27.50 |
| | | | 14 July | Liverport City Council (DD) | 89.00 ✓ |
| | | | 14 July | F D Jewell 004454 | 49.00 ✓ |
| | | | 15 July | Kirk Ltd 004455 | 250.00 ✓ |
| | | | 26 July | Bond Insurance (SO) | 122.00 ✓ |
| | | | 31 July | Balance c/d | 641.70 |
| | | 1,369.20 | | | 1,369.20 |
| 31 July | Balance b/d | 641.70 | | | |

STATEMENT**Star Bank PLC**23 Market Street
Liverpool
LP1 6TG

| | |
|----------------|--------------|
| Account | Hurst & Co |
| Account Number | 79014456 |
| Sheet | 17 |
| Date | 31 July 2004 |

| Date | Details | Debit | Credit | Balance |
|---------|-----------------------------|----------|----------|-------------|
| 2004 | | | | |
| 01 July | Balance | | | 756.20 Cr ✓ |
| 04 July | Cheques | | 220.00 ✓ | 976.20 Cr |
| 09 July | 004450 | 50.00 ✓ | | 926.20 Cr |
| 14 July | 004452 | 10.00 ✓ | | 916.20 Cr |
| 16 July | Liverport City Council (DD) | 89.00 ✓ | | 827.20 Cr |
| 19 July | Cheques | | 330.00 ✓ | 1,157.20 Cr |
| 24 July | 004455 | 250.00 ✓ | | 907.20 Cr |
| 26 July | Bond Insurance (SO) | 122.00 ✓ | | 785.20 Cr |
| 30 July | 004454 | 49.00 ✓ | | 736.20 Cr |
| 31 July | Bank charges | 12.95 | | 723.25 Cr |
| 31 July | Ricardo Limited (BGC) | | 179.75 | 903.00 Cr |

step 2 – update the cash book from the bank statement

The unticked items on the bank statement indicate items that have gone through the bank account but have not yet been entered in Hurst & Co's cash book. These are:

| | | | |
|---------|---------|-----------------------------|---------|
| Receipt | 31 July | BGC credit, Ricardo Limited | £179.75 |
|---------|---------|-----------------------------|---------|

| | | | |
|---------|---------|--------------|--------|
| Payment | 31 July | Bank Charges | £12.95 |
|---------|---------|--------------|--------|

Carol will now need to enter these items in the cash book to bring it up to date (see next page). The new entries are shown in darker type, the previous entries are in lighter type.

step 3 – balance the cash book bank columns to produce an updated balance

Carol now balances the bank columns of the cash book off again, as shown on the next page.

| Hurst & Co – Cash Book (extract) | | | | | |
|----------------------------------|-----------------------|-----------|--------------|--------------|-----------|
| RECEIPTS | | | PAYMENTS | | |
| Date 2004 | Details | Bank £ | Date 2004 | Details | Bank £ |
| | | | 31 July | Balance c/d | 641.70 |
| | | 1,369.20 | | | 1,369.20 |
| 31 July | Balance b/d | 641.70 | 31 July | Bank Charges | 12.95 |
| 31 July | Ricardo Limited (BGC) | 179.75 | 31 July | Balance c/d | 808.50 |
| | | 821.45 | | | 821.45 |
| 1 Aug | Balance b/d | 808.50 | | | |

The balance of the bank column now stands at £808.50. This still differs from the bank statement balance of £903.00.

The numerical difference between the two is:

Bank statement £903.00 *minus* cash book £808.50 = £94.50

This remaining difference is dealt with in the bank reconciliation statement.

step 4 – identify the remaining unticked items from the cash book

There are some items that remain unticked in the cash book. These are:

| | | | |
|----------|---------|--------------------------------|---------|
| Receipt | 31 July | Potts Bros | £63.00 |
| Payments | 2 July | Broad & Co (cheque no. 004451) | £130.00 |
| | 8 July | Minter Ltd (cheque no. 004453) | £ 27.50 |

These items should appear on next month's bank statement and are timing differences. These are the items which will be required in the preparation of the bank reconciliation statement, which is Carol's next step.

step 5 – preparation of the bank reconciliation statement

The completed statement is shown on the next page. The stages followed in its completion are as follows:

1 enter the cash book balance

The balance figure to use, as 'per the cash book', is the revised cash book balance after entering the items that appeared on the bank statement which had not previously been entered, ie £808.50



2 add unpresented cheques

The unpresented cheques are the cheques that Hurst & Co has issued, but which have not yet been deducted from the firm's bank account, probably because they have not yet been paid in by the suppliers. They are:

| | |
|--------------------------------|----------------|
| Broad & Co (cheque no. 004451) | £130.00 |
| Minter Ltd (cheque no. 004453) | <u>£ 27.50</u> |
| Total | <u>£157.50</u> |

The unpresented cheques totalling £157.50 are added to the cash book balance in the bank reconciliation statement, bringing the revised cash book balance to £966.00. They are added back to the cash book balance so that both the cash book and the bank account contain the same items.

3 deduct outstanding bank lodgement

A 'bank lodgement' represents money, ie cheques and or cash, that has been received by a business, entered into the cash book and paid into the bank. In this case, however, the deposit has been made too late to appear on the firm's bank statement, and so forms part of the difference, as an 'outstanding' lodgement.

Here the bank lodgement of £63.00 is deducted in the bank reconciliation statement from the sub-total of £966.00, ie £966.00 – £63.00 = £903.00.

4 completing the reconciliation

Now that all the outstanding items have been added or deducted, the recalculated balance on the bank reconciliation statement should be the same as the final bank statement balance. A comparison of the two show that they are

| HURST & CO | | |
|---|--------------|---------------|
| Bank Reconciliation Statement as at 31 July 2004 | | |
| | £ | £ |
| Balance at bank as per Cash Book | | 808.50 |
| <i>Add:</i> unpresented cheques | | |
| Broad & Co | 130.00 | |
| Minter Ltd | <u>27.50</u> | |
| | | <u>157.50</u> |
| | | 966.00 |
| <i>Less:</i> outstanding lodgement | | <u>63.00</u> |
| Balance at bank as per bank statement | | <u>903.00</u> |

DEALING WITH OVERDRAFTS

positive bank balances

In the Case Study and examples so far in this chapter we have dealt with bank reconciliation statements where the bank balance has been positive – ie there has been money in the bank account. We have also dealt with cash books which have shown that there is money in the bank.

A positive bank balance has been indicated by:

- in the **cash book** – a debit (left-hand) brought down balance
- a **bank statement** where the balance is followed by ‘CR’ – which to the bank and the customer means that there is money in the account (remember that the ‘credit’ column on the bank statement is used for payments into the account)

negative bank balances

Businesses sometimes have overdrafts at the bank. Overdrafts are where the bank account becomes negative and the business in effect borrows from the bank. This is shown:

- in the **cash book** as a credit (right-hand) brought down balance
- on the **bank statement** where the balance is followed by ‘DR’ (or sometimes by ‘OD’) – which to the bank and the customer means that there is an overdraft

reconciliation statements and overdrafts

If you want to show an overdraft on a bank reconciliation statement, you should treat it as a negative figure by placing it in brackets. As far as the calculation is concerned, it is simply a matter of using the minus key on the calculator. If in the Case Study earlier in this chapter, Hurst & Co had started the month with an overdraft of £808.50 (a credit balance in the cash book), you would key the following into the calculator (the black boxes represent the calculator keys):

| | | |
|----------|---------|---------------------------------|
| − | £808.50 | |
| + | £157.50 | |
| − | £63 | |
| = | | → produces a total of (£714.00) |

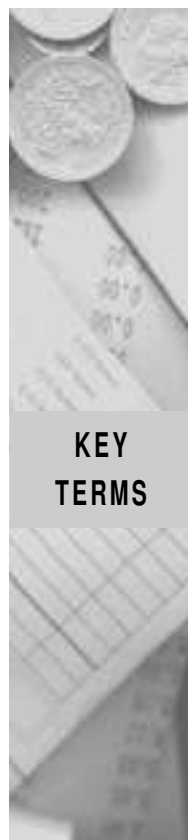
Now look at how the bank reconciliation statement is set out on the next page, using brackets for negative figures (ie overdrafts).

| HURST & CO | | |
|---|--------------|-----------------|
| Bank Reconciliation Statement as at 31 July 2004 | | |
| | £ | £ |
| Balance at bank as per Cash Book | | (808.50) |
| <i>Add:</i> unpresented cheques | | |
| Broad & Co | 130.00 | |
| Minter Ltd | <u>27.50</u> | |
| | | <u>157.50</u> |
| | | (651.00) |
| <i>Less:</i> outstanding lodgement | | |
| | | <u>63.00</u> |
| Balance at bank as per bank statement | | <u>(714.00)</u> |

a bank reconciliation statement starting and ending with an overdraft



- The balance of the bank account in the cash book of a business is regularly compared with the balance on the bank statement to ensure that the accounting records of both the business and the bank contain the same transactions and that no errors have occurred.
- There are inevitably differences between the cash book balance and the bank statement balance. These are caused either by errors in the cash book or bank statement, or by timing differences between the two documents.
- Timing differences may arise from items recorded in the bank statement and not in the cash book, bank charges and bank giro credits, for example. Normally the cash book is updated when these items are identified on the bank statement.
- Other timing differences might arise from items recorded in the cash book and not on the bank statement, unpresented cheques and outstanding lodgements, for example.
- These items are recorded in a bank reconciliation statement which is a calculation explaining how the unpresented cheques and outstanding lodgements are causing the difference between the cash book and the bank statement balances.



KEY TERMS

- The formula of the bank reconciliation statement commonly starts with the cash book:

balance as per cash book
plus unpresented cheque
less outstanding lodgements
equals balance as per bank statement

- The bank reconciliation statement can also be used when the bank balance is an overdraft. In this case, the overdrawn balance is shown as a negative figure, enclosed in brackets.

bank reconciliation statement a statement prepared to link the bank balance shown in the cash book with the balance shown on the bank statement

timing differences discrepancies between the bank statement and the cash book that will be corrected over time, such as unpresented cheques and outstanding lodgements

outstanding lodgements amounts that have been paid into the bank, but not yet recorded on the bank statement

unpresented cheques cheques that have been issued but have not yet been paid in and deducted from the account of the business



STUDENT ACTIVITIES

NOTE: an asterisk (*) after the question number means that the answer to the question is given at the back of this book.

A blank bank reconciliation statement is reproduced on the next page and the format for setting out the cash book is shown below. You may photocopy these forms.

Blank forms are also available for download from the resources sections of www.osbornebooks.co.uk

| CASH BOOK | | | | | |
|------------------|---------|------|----------|---------|------|
| RECEIPTS | | | PAYMENTS | | |
| Date | Details | Bank | Date | Details | Bank |
| 2004 | | £ | 2004 | | £ |
| | | | | | |
| | | | | | |

| | |
|---|-------|
| name of business | |
| Bank Reconciliation Statement as at | |
| | £ |
| Balance at bank as per Cash Book | |
| <i>Add:</i> unrepresented cheque(s) | |
| <i>Less:</i> outstanding lodgement(s) not yet entered on bank statement | |
| Balance at bank as per bank statement | |

Note
 Negative bank balances (ie overdrafts) should be shown in brackets.

14.1* You are a trainee accountant for Fern Limited, a small printing company. One of your tasks is to enter transactions in the company's cash book, check the entries on receipt of the bank statement, update the cash book and make any amendments as necessary. You are then asked to prepare a bank reconciliation statement at the end of the month.

The company's cash book (showing the bank money columns only) and the bank statement are shown below.

You are to:

- Reconcile the cash book with the bank statement.
- Make the entries necessary to update the cash book.
- Balance the bank columns of the cash book and calculate the revised bank balance.
- Draw up or obtain a photocopy of a blank bank reconciliation statement.
- Start with the balance as per the cash book, list any unpresented cheques and sub-total on the reconciliation statement.
- Enter details of bank lodgements.
- Calculate the balance as per the bank statement and check your total against the bank statement for accuracy.

| Fern Ltd – Cash Book | | | | | |
|-----------------------------|-----------------|--------------|----------|---------------------------|--------------|
| CASH BOOK | | | | | |
| RECEIPTS | | | PAYMENTS | | |
| Date | Details | Bank | Date | Details | Bank |
| 2004 | | £ | 2004 | | £ |
| 1 Aug | Balance b/d | 1,946 | 2 Aug | DD Bell Insurance | 75 |
| 1 Aug | I Watts & Co | 249 | 2 Aug | Harvey & Co 200100 | 206 |
| 5 Aug | B Rogers (BACS) | 188 | 4 Aug | Durose Ltd 200101 | 315 |
| 8 Aug | E Shaw | 150 | 7 Aug | Motts Garage 200102 | 211 |
| 10 Aug | J Moore Ltd | 440 | 9 Aug | SO Rock Finance | 120 |
| 18 Aug | Simms Ltd | 65 | 13 Aug | Hill Bros 200103 | 22 |
| 27 Aug | Martin Black | 520 | 20 Aug | Ashleys Ltd 200104 | 137 |
| 30 Aug | Davies Partners | 82 | 27 Aug | DD Rates | 270 |
| | | 3,640 | 31 Aug | Balance c/d | 2,284 |
| | | <u>3,640</u> | | | <u>3,640</u> |
| 31 Aug | Balance b/d | 2,284 | | | |

| ALBION BANK | | STATEMENT | | |
|--------------------------------|---------------------|---------------|----------|----------|
| 12 Market Street, Bury BU1 2GH | | | | |
| Account | Fern Limited | Account no. | 78300582 | |
| Date | 31 August 2004 | Statement No. | 16 | |
| Date | Details | Debit | Credit | Balance |
| 2004 | | | | |
| 1 Aug | Balance | | | 1,946 CR |
| 2 Aug | Cheques | | 249 | 2,195 CR |
| 4 Aug | Bell Insurance (DD) | 75 | | 2,120 CR |
| 4 Aug | 200101 | 315 | | 1,805 CR |
| 5 Aug | B Rogers (BACS) | | 188 | 1,993 CR |
| 8 Aug | Cheques | | 150 | 2,143 CR |
| 9 Aug | 200102 | 211 | | 1,932 CR |
| 12 Aug | Cheques | | 440 | 2,372 CR |
| 12 Aug | Rock Finance (SO) | 120 | | 2,252 CR |
| 20 Aug | Cheques | | 65 | 2,317 CR |
| 27 Aug | DD Rates | 270 | | 2,047 CR |
| 30 Aug | Torr Bros (BGC) | | 92 | 2,139 CR |
| 31 Aug | Bank Charges | 55 | | 2,084 CR |
| 31 Aug | City Finance (SO) | 1,000 | | 1,084 CR |

14.2* You are employed by Brooklyn Ltd as their cashier. Your main responsibility is to maintain the company's cash book and prepare a bank reconciliation statement at the end of each month.

The cash book (showing the bank money columns only) is set out below together with a copy of the bank statement for February 2004.

You are to:

- Reconcile the cash book with the bank statement.
- Make the entries necessary to update the cash book.
- Balance the bank columns of the cash book and calculate the revised bank balance.
- Draw up or obtain a photocopy of a blank bank reconciliation statement.
- Start with the balance as per the cash book, list any unpresented cheques and sub-total on the reconciliation statement.
- Enter details of bank lodgements.
- Calculate the balance as per the bank statement and check your total against the bank statement for accuracy.

| Brooklyn Ltd – Cash Book | | | | | |
|---------------------------------|-------------------|-------|----------|-------------------------|-------|
| CASH BOOK | | | | | |
| RECEIPTS | | | PAYMENTS | | |
| Date | Details | Bank | Date | Details | Bank |
| 2004 | | | 2004 | | |
| 1 Feb | Balance b/d | 1,425 | 1 Feb | Barton Bros 400460 | 98 |
| 1 Feb | Worrall & Co | 157 | 1 Feb | SO Road Car Co | 50 |
| 4 Feb | Brindle's (BGC) | 243 | 3 Feb | R Jackson Ltd 400461 | 540 |
| 8 Feb | Robinson Ltd | 91 | 9 Feb | Spencer Partners 400462 | 42 |
| 13 Feb | Moore & Cox (BGC) | 75 | 9 Feb | Avery Computers 400463 | 490 |
| 20 Feb | Riley & Co | 420 | 10 Feb | DD Ajax Insurance | 300 |
| 28 Feb | Howard Ltd | 94 | 16 Feb | Shanklin Garage 400464 | 110 |
| | | | 23 Feb | Petty Cash 400465 | 50 |
| | | | 27 Feb | White & Co 400466 | 120 |
| | | | 28 Feb | Balance c/d | 705 |
| | | 2,505 | | | 2,505 |
| 28 Feb | Balance b/d | 705 | | | |

| REGENCY BANK | | STATEMENT | | |
|--|---------------------|----------------------|----------|----------|
| 10 The Parade, Cheltenham G12 6YG | | | | |
| Account | Brooklyn Limited | Account no. | 29842943 | |
| Date | 28 February 2004 | Statement No. | 35 | |
| Date 2004 | Details | Debit | Credit | Balance |
| 1 Feb | Balance | | | 1,425 CR |
| 2 Feb | Cheques | | 157 | 1,582 CR |
| 2 Feb | Road Car Co (SO) | 50 | | 1,532 CR |
| 4 Feb | 400460 | 98 | | 1,434 CR |
| 6 Feb | Brindle's (BGC) | | 243 | 1,677 CR |
| 10 Feb | Cheques | | 91 | 1,768 CR |
| 12 Feb | Ajax Insurance (DD) | 300 | | 1,468 CR |
| 14 Feb | Moore & Cox (BGC) | | 75 | 1,543 CR |
| 14 Feb | 400463 | 490 | | 1,053 CR |
| 23 Feb | Cheques | | 420 | 1,473 CR |
| 26 Feb | Rates (DD) | 103 | | 1,370 CR |
| 26 Feb | 400465 | 50 | | 1,320 CR |
| 27 Feb | D Stead (BACS) | | 220 | 1,540 CR |
| 28 Feb | Bank Charges | 38 | | 1,502 CR |

14.3* As accounts assistant for O'Connor Limited your main task is to enter transactions into the company's cash book, check the entries against the bank statement and prepare a monthly bank reconciliation statement.

The cash book (showing the bank money columns only) and bank statement for October 2004 are set out below.

You are to:

- Reconcile the cash book with the bank statement.
- Make the entries necessary to update the cash book.
- Balance the bank columns of the cash book and calculate the revised bank balance.
- Draw up or obtain a photocopy of a blank bank reconciliation statement.
- Start with the balance as per the cash book, list any unpresented cheques and sub-total on the reconciliation statement.
- Enter details of bank lodgements.
- Calculate the balance as per the bank statement and check your total against the bank statement for accuracy.

| O'Connor Limited – Cash Book | | | | | |
|-------------------------------------|------------------|-------|----------|-----------------------|-------|
| CASH BOOK | | | | | |
| RECEIPTS | | | PAYMENTS | | |
| Date | Details | Bank | Date | Details | Bank |
| 2004 | | | 2004 | | |
| 1 Oct | Balance b/d | 2,521 | 1 Oct | Sharp & Co Rent (SO) | 400 |
| 4 Oct | Allen Ltd (BACS) | 620 | 4 Oct | G Orwell 210526 | 367 |
| 8 Oct | Mason & Moore | 27 | 5 Oct | Heath & Co 210527 | 1,108 |
| 11 Oct | Howard Limited | 48 | 8 Oct | Ellis & Son 210528 | 320 |
| 11 Oct | Barrett & Bryson | 106 | 13 Oct | Kerr's Garage 210529 | 32 |
| 12 Oct | D Patel (BGC) | 301 | 14 Oct | J Choudrey 210530 | 28 |
| 20 Oct | Cohen & Co | 58 | 22 Oct | Astley Insurance (DD) | 139 |
| 25 Oct | J McGilvery | 209 | 25 Oct | Text Computers 210531 | 1,800 |
| 31 Oct | Balance c/d | 604 | 30 Oct | Rates (DD) | 300 |
| | | 4,494 | | | 4,494 |
| | | | 1 Nov | Balance b/d | 604 |

| OAK BANK | | STATEMENT | | |
|--------------------------------------|-----------------------|---------------|----------|----------|
| 99 Bank Chambers, Nottingham NG1 7FG | | | | |
| Account | O'Connor Limited | Account no. | 06618432 | |
| Date | 31 October 2004 | Statement No. | 45 | |
| Date | Details | Debit | Credit | Balance |
| 2004 | | | | |
| 1 Oct | Balance | | | 2,521 CR |
| 1 Oct | Sharp & Co (SO) | 400 | | 2,121 CR |
| 4 Oct | Allen Ltd (BACS) | | 620 | 2,741 CR |
| 7 Oct | 210526 | 367 | | 2,374 CR |
| 11 Oct | Cheques | | 154 | 2,528 CR |
| 13 Oct | D Patel (BGC) | | 301 | 2,829 CR |
| 15 Oct | Cheques | | 27 | 2,856 CR |
| 18 Oct | 210528 | 320 | | 2,536 CR |
| 18 Oct | 210527 | 1,108 | | 1,428 CR |
| 22 Oct | Astley Insurance (DD) | 139 | | 1,289 CR |
| 27 Oct | 210531 | 1,800 | | 511 DR |
| 28 Oct | Bayley's (BACS) | | 114 | 397 DR |
| 29 Oct | Rates (SO) | 300 | | 697 DR |
| 29 Oct | Bank Interest | 53 | | 750 DR |
| 29 Oct | Bank Charges | 45 | | 795 DR |

14.4 You are the cashier of Chowda Trading Limited and have written up the firm's cash book (bank money columns only) for the month of September 2004. You have also received the bank statement for the same period.

You are to:

- Reconcile the cash book with the bank statement.
- Make the entries necessary to update the cash book.
- Balance the bank columns of the cash book and calculate the revised bank balance.
- Draw up or obtain a photocopy of a blank bank reconciliation statement.
- Start with the balance as per the cash book, list any unpresented cheques and sub-total on the reconciliation statement.
- Enter details of bank lodgements.
- Calculate the balance as per the bank statement and check your total against the bank statement for accuracy.

| Chowda Trading Limited – Cash Book | | | | | |
|---|--------------------|-------|----------|-------------------------|-------|
| CASH BOOK | | | | | |
| RECEIPTS | | | PAYMENTS | | |
| Date | Details | Bank | Date | Details | Bank |
| 2004 | | | 2004 | | |
| 1 Sept | Rogers & Co | 2,710 | 1 Sept | Balance b/d | 4,223 |
| 6 Sept | Chapman Ltd | 252 | 3 Sept | Park Lane Garage 043173 | 236 |
| 8 Sept | F Sanderson (BACS) | 121 | 3 Sept | Wages 043174 | 1,723 |
| 10 Sept | Booth (BACS) | 379 | 7 Sept | Otis Electronics 043175 | 110 |
| 16 Sept | Rushton Associates | 1,200 | 12 Sept | Fraser & Co 043176 | 46 |
| 20 Sept | I Campbell | 28 | 17 Sept | United Insurance (DD) | 175 |
| 27 Sept | W Blake (BGC) | 1,320 | 23 Sept | Beet & Malkin 043177 | 1,052 |
| 28 Sept | Chapman Ltd | 540 | 24 Sept | Rates (SO) | 220 |
| 28 Sept | Balance c/d | 1,235 | | | |
| | | 7,785 | | | 7,785 |
| | | | 1 Oct | Balance b/d | 1,235 |

| STAR BANK | | STATEMENT | | |
|------------------------------------|--------------------------|----------------------|----------|----------|
| 16, South Parade, Offerton OF1 8BN | | | | |
| Account | Chowda Trading Limited | Account no. | 77650017 | |
| Date | 30 September 2004 | Statement No. | 16 | |
| Date 2004 | Details | Debit | Credit | Balance |
| 1 Sept | Balance | | | 4,223 DR |
| 6 Sept | 043174 | 1,723 | | 5,946 DR |
| 6 Sept | 043173 | 236 | | 6,182 DR |
| 7 Sept | Cheque | | 2,710 | 3,472 DR |
| 7 Sept | Cheque | | 252 | 3,220 DR |
| 9 Sept | Sanderson (BACS) | | 121 | 3,099 DR |
| 13 Sept | Booth (BACS) | | 379 | 2,720 DR |
| 14 Sept | Bank Charges | 20 | | 2,740 DR |
| 14 Sept | Bank Interest | 92 | | 2,832 DR |
| 17 Sept | Cheque | | 1,200 | 1,632 DR |
| 17 Sept | United Insurance (DD) | 175 | | 1,807 DR |
| 17 Sept | 0043176 | 46 | | 1,853 DR |
| 23 Sept | Cheque | | 28 | 1,825 DR |
| 28 Sept | W Blake (BGC) | | 1,320 | 505 DR |
| 28 Sept | Rates (SO) | 220 | | 725 DR |
| 28 Sept | Hunt & Associates (BACS) | | 26 | 699 DR |