

**1. State the need for the preparation of bank reconciliation statement?**

- **Solution:**  
 In general, when a comparison is made between the bank balances as shown in the firm's cash book, the two balances do not tally. Hence, we have to first ascertain the causes of difference thereof and then replicate them in a statement called *Bank Reconciliation Statement* to reconcile (tally) the two balances.

**2. What is a bank overdraft?**

- **Solution:**  
 Overdrafts are where the bank account becomes negative and the businesses in effect have borrowed from the bank.

**3. Briefly explain the statement 'wrongly debited by the bank' with the help of an example.**

- **Solution:**  
 At times, the bank deducts some amount for various services from the account without the firm's knowledge. It comes to the firm's notice only when the bank statement arrives.

Examples of such deductions include:

Cheque collection charges, incidental charges, interest on overdraft, unpaid cheques deducted by the bank – i.e. stopped or bounced, etc.

**Illustration 1**

The bank passbook of M/s. Boss & Co. showed a balance of Rs. 45,000 on May 31, 2005.

- Cheques issued before May 31, 2005, amounting to Rs. 25,940 had not been presented for encashment.
- Two cheques of Rs. 3,900 and Rs. 2,350 were deposited into the bank on May 31, 2005 but the bank gave credit for the same in June.
- There was also a debit in the passbook of Rs. 2,500 in respect of a cheque dishonored on 31.5.2005. Prepare a bank reconciliation statement as on May 31, 2005.

**Solution**

Bank Reconciliation Statement of Bose & Co as on May 31, 2005

	Particulars	Amount Rs.	Amount Rs.
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1.	Balance as per pass book	45,000	
2.	Cheques deposited but not collected by the Bank (Rs. 3,900+ Rs. 2,350)	6,250	
3.	Cheques dishonoured recorded only in Pass book		
4.	Cheques issued but not presented for payment	2,500	
5.	Balance as per the cash book.		25,940
		<u>53,750</u>	27,810
			<u>53,750</u>

**4. State the causes of difference occurred due to time lag.**

**Solution:**

- Cheques issued by the bank but not yet presented for payment
- Cheques paid into the bank but not yet collected
- Direct debits made by the bank on behalf of the customer
- Amounts directly deposited in the bank account
- Interest and dividends collected by the bank
- Direct payments made by the bank on behalf of the customers
- Cheques deposited/bills discounted dishonored

**5. Briefly explain the term 'favourable balance as per cash book'**

**Solution:**

The debit balance as per the cash book means the balance of deposits held at the bank. Such a balance will be a credit balance as per the passbook. Such a balance exists when the deposits made by the firm are more than its withdrawals. It indicates the favorable balance as per cash book.

**6. Enumerate the steps to ascertain the correct cash book balance.**

**Solution:**

The following steps may be followed to prepare the bank reconciliation statement:

- i. The date on which the statement is prepared is written at the top, as part of the heading.

- ii. The first item in the statement is generally the balance as shown by the cash book. Alternatively, the starting point can also be the balance as per passbook.
- iii. The cheques deposited but not yet collected are deducted.
- iv. All the cheques issued but not yet presented for payment, amounts directly deposited in the bank account are added.
- v. All the items of charges such as interest on overdraft, payment by bank on standing instructions and debited by the bank in the passbook but not entered in cash book, bills and cheques dishonored etc. are deducted.
- vi. All the credits given by the bank such as interest or dividends collected etc. and direct deposits in the bank are added.
- vii. Adjustment for errors is made according to the principles of rectification of errors. (The rectification of errors has been discussed in detail in chapter 6.)
- viii. Now the net balance shown by the statement should be same as shown by the passbook.

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**7. What is a bank reconciliation statement. Why is it prepared?**

**Solution:**

In general, when a comparison is made between the bank balances as shown in the firm's cash book, the two balances do not tally. Hence, we have to first ascertain the causes of difference thereof and then replicate them in a statement called *Bank Reconciliation Statement* to reconcile (tally) the two balances.

To prepare a bank reconciliation statement we should have the details of bank balance as per the cash book and a bank statement as on a particular day along with details of both the books. If the two balances differ, then the entries in both the books are compared and the items on account of which the variation has been raised are ascertained with the details of amounts involved so that the bank reconciliation statement may be prepared.

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**8. Explain the reasons where the balance shown by the bank passbook does not agree with the balance as shown by the bank column of the cash book.**

**Solution:**

In a business entity, when we compare the balance of its cash book with the balance shown in the bank passbook, often it shows a difference, which is because of the time gap in recording the transactions relating either to payments or receipts.

The general factors affecting time gap are:

**(a) Cheques issued by the bank but not yet presented for payment**

In this case, the cheques are issued by the firm to suppliers or creditors of the firm; these are immediately entered on the credit side of the cash book. But, the receiving party may not present the cheque immediately to the bank for payment. The bank will debit the firm's account only when these cheques are actually paid by the bank. Hence, there is a time lag

between the issues of a cheque and its presentation to the bank which may cause the difference between the two balances.

**(b) Cheques paid into the bank but not yet collected**

In this case, the firm receives cheques from its customers (debtors) and they are immediately recorded in the debit side of the cash book. These increase the bank balance as per the cash book. But, the bank credits the customer account only when the amount of cheques is actually realised. In case of outstation cheques or when the cheques are paid-in at a bank branch other than the one at which the account of the firm is maintained, the clearing of cheques is delayed. This leads to a cause of difference between the bank balance shown by the cash book and the balance shown by the bank passbook.

**(c) Direct debits made by the bank on behalf of the customer**

At times, the bank deducts some amount for various services from the account without the firm's knowledge. It comes to the firm's notice only when the bank statement arrives.

Examples of such deductions include:

Cheque collection charges, incidental charges, interest on overdraft, unpaid cheques deducted by the bank – i.e. stopped or bounced, etc.

As a result, the balance as per passbook will be less than the balance as per cash book.

**(d) Amounts directly deposited in the bank account**

There are situations when debtors (customers) directly deposit money into firm's bank account. But, it may not be intimated to the firm till they receive the bank statement. In this case, the bank records the receipts in the firm's account at the bank but the same is not recorded in the firm's cash book. As a result, the balance shown in the bank passbook will be more than the balance shown in the firm's cash book.

**(e) Interest and dividends collected by the bank**

When the bank collects interest and dividend on behalf of the customer, then these are immediately credited to the customer's account. But the firm will know about these transactions and record the same in the cash book only when it receives a bank statement. Till then the balances as per the cash book and passbook will differ.

**(f) Direct payments made by the bank on behalf of the customers**

In some cases the customers give standing instructions to the bank to make payment regularly on particular dates to the third parties. For example, telephone bills, insurance premium, rent, taxes, etc. are directly paid by the bank on behalf of the customer and debited to the account. As a result, the balance as per the bank passbook would be less than the one shown in the cash book.

**(g) Cheques deposited/bills discounted dishonored**

If a cheque deposited by the firm is dishonored or when a bill of exchange discounted with the bank is dishonored on the date of maturity, the same is debited to customer's account by the bank. As this information is not available to the firm immediately, there will be no entry

in the firm's cash book regarding the above items. This will be known to the firm when it receives a statement from the bank. As a result, the balance as per the passbook would be less than the cash book balance.

### **Differences Caused by Errors**

Sometimes the difference between the two balances may be because of an error on the part of the bank or an error in the cash book of the business. This causes difference between the bank balance shown by the cash book and the balance shown by the bank statement.

#### **(a) Errors committed in recording transaction by the firm**

Omission or wrong recording of transactions relating to cheques issued, cheques deposited and wrong totaling, etc. committed by the firm while recording entries in the cash book cause difference between cash book and passbook balance.

#### **(b) Errors committed in recording transactions by the bank**

Omission or wrong recording of transactions relating to cheques deposited and wrong totaling, etc. committed by the bank while posting entries in the passbook also cause differences between passbook and cash book balance.

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### **9. Explain the process of preparing bank reconciliation statement with amended cash balance.**

#### **Solution:**

**Preparation of Bank Reconciliation Statement with Adjusted Cash Book:** When we check out with the items that normally cause the difference between the passbook balance and the cash book balance, we find a number of items, which appear only in the passbook. Why not first record such items in the cash book to work out the adjusted balance (also known as amended balance) of the cash book and then prepare the bank reconciliation statement. This shall reduce the number of items responsible for the difference and show the exact figure of balance at bank in the balance sheet. In fact, this is the procedure in practice. Only those items that cause the difference on account of the time gap in recording appear in bank reconciliation statement. They are:

- i. Cheques issued but not yet presented,
- ii. Cheques deposited but not yet collected, and
- iii. Due to an error in the passbook.

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### **10. Favourable balance of cash book and passbook –**

**From the following particulars, prepare a bank reconciliation statement as at March 31, 2005.**

- i. **Balance as per cash book Rs. 3,200**
- ii. **Cheque issued but not presented for payment Rs. 1,800**

iii. **Cheque deposited but not collected upto March 31, 2005 Rs. 2000**

iv. **Bank charges debited by bank Rs. 150**

• **Solution:**

Bank Reconciliation Statement as on 31.03.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Balance as per cash book	3,200	
2.	Cheque issued, but not presented	1,800	
3.	Cheque deposited but not collected up to 31.03.05		2,000
4.	Bank charges		150
5.	Balance as per pass book		2,850
		<b>5,000</b>	<b>5,000</b>

**11. Favourable balance of cash book and passbook -**

On March 31 2005 the cash book showed a balance of Rs. 3,700 as cash at bank, but the bank passbook made up to same date showed that cheques for Rs. 700, Rs. 300 and Rs. 180 respectively had not presented for payment, Also, cheque amounting to Rs. 1,200 deposited into the account had not been credited. Prepare a bank reconciliation statement.

• **Solution:**

Bank Reconciliation Statement as on 31.03.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Balance as per cash book	3,700	
2.	Cheque issued, but not presented	700	
		300	
		180	
3.	Cheque deposited but not credited		1,200
4.	Balance as per pass book		3,680
		<b>4,880</b>	<b>4,880</b>

**12. Favourable balance of cash book and passbook -**

The cash book shows a bank balance of Rs. 7,800. On comparing the cash book with passbook the following discrepancies were noted :

- a. **Cheque deposited in bank but not credited Rs. 3,000**
- b. **Cheque issued but not yet present for payment Rs. 1,500**
- c. **Insurance premium paid by the bank Rs. 2,000**
- d. **Bank interest credit by the bank Rs. 400**

e. Bank charges Rs. 100

f. Directly deposited by a customer Rs. 4,000

• **Solution:**

Bank Reconciliation Statement as on ...

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Balance as per cash book	7,800	
2.	Cheque deposited, but not credited		3,000
3.	Cheque issued, but not presented	1,500	
4.	Insurance premium		2,000
5.	Bank interest credited	400	
6.	Bank charges		100
7.	Direct deposit by customer	4,000	
8.	Balance as per pass book		8,600
		<b>13,700</b>	<b>13,700</b>

▣ **13. Favourable balance of cash book and passbook -**

Bank balance of Rs. 40,000 showed by the cash book of Atul on December 31, 2005. It was found that three cheques of Rs. 2,000, Rs. 5,000 and Rs. 8,000 deposited during the month of December were not credited in the passbook till January 02, 2005. Two cheques of Rs. 7,000 and Rs. 8,000 issued on December 28, were not presented for payment till January 03, 2005. In addition to it bank had credited Atul for Rs. 325 as interest and had debited him with Rs. 50 as bank charges for which there were no corresponding entries in the cash book. Prepare a bank reconciliation statement as on December 31, 2004.

• **Solution:**

Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Balance as per cash book	40,000	
2.	Cheque deposited, but not credited		2,000
			5,000
			8,000
3.	Cheque issued, but not presented	7,000	
		8,000	
4.	Bank interest credited	325	
5.	Bank charges debited		50
6.	Balance as per pass book		40,275
		<b>55,325</b>	<b>55,325</b>

▣ **14. Favourable balance of cash book and passbook -**

On comparing the cash book with passbook of Naman it is found that on March 31, 2005, bank balance of Rs. 40,960 showed by the cash book differs from the bank balance with regard to the following :



- a. Bank charges Rs 100 on March 31, 2005, are not entered in the cash book.
- b. On March 21, 2005, a debtor paid Rs. 2,000 into the company's bank in settlement of his account, but no entry was made in the cash book of the company in respect of this.
- c. Cheques totaling Rs. 12,980 were issued by the company and duly recorded in the cash book before March 31, 2005, but had not been presented at the bank for payment until after that date.
- d. A bill for Rs. 6,900 discounted with the bank is entered in the cash book with recording the discount charge of Rs. 800.
- e. Rs. 3,520 is entered in the cash book as paid into bank on March 31st, 2005, but not credited by the bank until the following day.
- f. No entry has been made in the cash book to record the dishonour on March 15, 2005 of a cheque for Rs. 650 received from Bhanu.

Prepare a reconciliation statement as on March 31, 2005.

• **Solution:**

Bank Reconciliation Statement as on 31.03.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Balance as per cash book	40,960	
2.	Bank charges		100
3.	Amount received from debtors	2,000	
4.	Cheque received, but not credited	12,980	
5.	Amount paid not credited	3,520	
6.	Dishonor of cheque		650
7.	Balance as per pass book		58,710
		<b>59,460</b>	<b>59,460</b>

▣ **15. Favourable balance of cash book and passbook -**

Prepare bank reconciliation statement as on December 31, 2004. On this day the passbook of Mr. Himanshu showed a balance of Rs. 7,000.

- a. Cheques of Rs. 1,000 directly deposited by a customer.
- b. The bank has credited Mr. Himanshu for Rs. 700 as interest.
- c. Cheques for Rs. 3000 were issued during the month of December but of these cheques for Rs. 1,000 were not presented during the month of December.

• **Solution:**

Bank Reconciliation Statement as on 31.12.2004

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Balance as per pass book	7,000	
2.	Cheque deposited directly	1,000	
3.	Interest credited		700



4.	Cheques issued but not presented		3,000
			1,000
5.	Balance as per cash book		3,300
		<b>8,000</b>	<b>8,000</b>

▣ **16. Favourable balance of cash book and passbook –**

From the following particulars prepare a bank reconciliation statement showing the balance as per cash book on December 31, 2005.

- Two cheques of Rs. 2,000 and Rs. 5,000 were paid into bank in October, 2005 but were not credited by the bank in the month of December.
- A cheque of Rs. 800 which was received from a customer was entered in the bank column of the cash book in December 2004 but was omitted to be banked in December, 2004.
- Cheques for Rs. 10,000 were issued into bank in January 2005 but not credited by the bank on December 31, 2005.
- Interest on investment Rs. 1,000 collected by bank appeared in the passbook.

Balance as per Passbook was Rs. 50,000

• **Solution:**

Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Cheques paid, but not credited	2,000	
		5,000	
2.	Cheque received	800	
3.	Cheque issued, not credited		10,000
4.	Interest on investment		1,000
5.	Balance as per pass book	50,000	
6.	Balance as per cash book		47,800
		<b>57,800</b>	<b>57,800</b>

▣ **17. Favourable balance of cash book and passbook –**

Balance as per passbook of Mr. Kumar is 3,000.

- Cheque paid into bank but not yet cleared  
 Ram Kumar Rs. 1,000  
 Kishore Kumar Rs. 500
- Bank Charges Rs. 300
- Cheque issued but not presented

**Hameed Rs. 2,000**

**Kapoor Rs. 500**

**d. Interest entered in the passbook but not entered in the cash book Rs. 100  
 Prepare a bank reconciliation statement.**

**Solution:**

Bank Reconciliation Statement as on 31.03.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Balance as per pass book	3,000	
2.	Cheque paid into bank Ram Kumar Kishore Kumar	1,000 500	
3.	Bank charges		300
4.	Cheque issued, not presented Hameed Kapoor		2,000 500
5.	Interest	100	
6.	Balance as per cash book		1,800
		<b>4,600</b>	<b>4,600</b>

**18. Favourable balance of cash book and passbook -**

The passbook of Mr. Mohit current account showed a credit Balance of Rs. 20,000 on dated December 31, 2005. Prepare a Bank Reconciliation Statement with the following information.

- i. A cheque of Rs. 400 drawn on his saving account has been shown on current account.
- ii. He issued two cheques of Rs. 300 and Rs. 500 on of December 25, but only the 1st cheque was presented for payment.
- iii. One cheque issued by Mr. Mohit of Rs. 500 on December 25, but it was not presented for payment whereas it was recorded twice in the cash book.

**Solution:**

Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Balance as per pass book	20,000	
2.	Cheque shown in current account		400
3.	Cheque issued and not presented		500
4.	Cheque received and recorded twice		500
5.	Cheque presented for payment	300	
6.	Balance as per cash book		18,900
		<b>20,300</b>	<b>20,300</b>

▣ **19. Unfavourable balance of cash book**

On 1st January 2005, Rakesh had an overdraft of Rs. 8,000 as showed by his cash book. Cheques amounting to Rs. 2,000 had been paid in by him but were not collected by the bank by January 01, 2005. He issued cheques of Rs. 800 which were not presented to the bank for payment up to that day. There was a debit in his passbook of Rs. 60 for interest and Rs. 100 for bank charges. Prepare bank reconciliation statement for comparing both the balance.

• **Solution:**

Bank Reconciliation Statement as on ...

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Overdraft as per cash book		8,000
2.	Cheque deposited, but not collected		2,000
3.	Bank charges		60
4.	Cheque issued, but not presented	800	
5.	Bank charges		100
6.	Balance as per bank pass book	9,360	
		<b>10,160</b>	<b>10,160</b>

▣ **20. Unfavourable balance of cash book**

Prepare bank reconciliation statement.

- i. Overdraft shown as per cash book on December 31, 2005 Rs. 10,000.
- ii. Bank charges for the above period also debited in the passbook Rs. 100.
- iii. Interest on overdraft for six months ending December 31, 2005 Rs. 380 debited in the passbook.
- iv. Cheques issued but not incashed prior to December 31, 2005 amounted to Rs. 2,150.
- v. Interest on Investment collected by the bank and credited in the passbook Rs. 600.
- vi. Cheques paid into bank but not cleared before December, 31 2005 were Rs. 1,100.

• **Solution:**

Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Overdraft as per cash book		10,000
2.	Bank charges		100
3.	Interest on overdraft		380
4.	Cheque issued, but not encashed	2,150	
5.	Interest on investment collected and credited		600
6.	Cheques paid into bank, not cleared	1,100	
7.	Balance as per overdraft pass book	7,830	

		<b>11,080</b>	<b>11,080</b>
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**21. Unfavourable balance of cash book**

Kumar find that the bank balance shown by his cash book on December 31, 2005 is Rs. 90,600 (Credit) but the passbook shows a difference due to the following reason:

A cheque (post dated) for Rs. 1,000 has been debited in the bank column of the cash book but not presented for payment. Also, a cheque for Rs. 8,000 drawn in favour of Manohar has not yet been presented for payment. Cheques totaling Rs. 1,500 deposited in the bank have not yet been collected and cheque for Rs. 5,000 has been dishonoured.

- **Solution:**  
Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Overdraft as per cash book		90,600
2.	Cheque not yet presented		8,000
3.	Bill dishonoured		5,000
4.	Balance as per overdraft pass book	1,03,600	
		<b>1,03,600</b>	<b>1,03,600</b>

**22. Unfavourable balance of cash book**

On December 31, 2005, the cash book of Mittal Bros. Showed an overdraft of Rs. 6,920. From the following particulars prepare a Bank Reconciliation Statement and ascertain the balance as per passbook.

1. Debited by bank for Rs. 200 on account of Interest on overdraft and Rs. 50 on account of charges for collecting bills.
2. Cheques drawn but not encashed before December, 31 2005 for Rs. 4,000.
3. The bank has collected interest and has credited Rs. 600 in passbook.
4. A bill receivable for Rs. 700 previously discounted with the bank had been dishonoured and debited in the passbook.
5. Cheques paid into bank but not collected and credited before December 31, 2005 amounted Rs. 6,000.

- **Solution:**  
Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Overdraft as per cash book		6,920
2.	Interest on overdraft,	200	
3.	Cheques drawn, not encashed	4,000	
4.	Bank charges	50	
5.	Interest collected and credited		600
6.	Cheques paid and not collected		6,000
7.	Balance as per overdraft pass book	9,270	

		<b>13,520</b>	<b>13,520</b>
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**23. Unfavourable balance of the passbook**

Prepare bank reconciliation statement of Shri Bhandari as on December 31, 2005

- i. The Payment of a cheque for Rs. 550 was recorded twice in the passbook.
- ii. Withdrawal column of the passbook under cast by Rs. 200
- iii. A Cheque of Rs. 200 has been debited in the bank column of the Cash Book but it was not sent to bank at all.
- iv. A Cheque of Rs. 300 debited to Bank column of the passbook was not sent to the bank.
- v. Rs. 500 in respect of dishonoured cheque were entered in the passbook but not in the cash book.

Overdraft as per passbook is Rs. 20,000.

**Solution:**

Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Overdraft as per pass book		20,000
2.	Payment recorded twice,	550	
3.	Withdrawal column undercast		200
4.	Cheque debited in the bank column of cash book not sent to bank		200
5.	Cheque debited to bank column of passbook not sent to bank	300	
6.	Dishonoured cheque		500
7.	Overdraft as per pass book	20,350	
		<b>20,900</b>	<b>20,900</b>

**24. Unfavourable balance of the passbook**

Overdraft shown by the passbook of Mr. Murli is Rs. 20,000. Prepare bank reconciliation statement on dated December 31, 2005.

- i. Bank charges debited as per passbook Rs. 500.
- ii. Cheques recorded in the cash book but not sent to the bank for collection Rs. 2,500.
- iii. Received a payment directly from customer Rs. 4,600.
- iv. Cheque issued but not presented for payment Rs. 6,980.
- v. Interest credited by the bank Rs. 100.

vi. LIC paid by bank Rs. 2,500.

vii. Cheques deposited with the bank but not collected Rs. 3,500.

• **Solution:**

Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Overdraft as per pass book		20,000
2.	Bank charges		500
3.	Cheques recorded, not sent for collection	2,500	
4.	Received payment from customer	4,600	
5.	Cheque issued but not presented for payment		6,980
6.	Interest credited by the bank	100	
7.	LIC paid	2,500	
8.	Cheque deposited, but not collected		3,500
9.	Balance as per cash book	21,280	
		<b>30,980</b>	<b>30,980</b>

▣ **25. Unfavourable balance of the passbook**

Raghav & Co. have two bank accounts. Account No. I and Account No. II. From the following particulars relating to Account No. I, find out the balance on that account of December 31, 2005 according to the cash book of the firm.

- i. Cheques paid into bank prior to December 31, 2005, but not credited for Rs. 10,000.
- ii. Transfer of funds from account No. II to account no. I recorded by the bank on December 31, 2005 but entered in the cash book after that date for Rs. 8,000.
- iii. Cheques issued prior to December 31, 2005 but not presented until after that date for Rs. 7,429.
- iv. Bank charges debited by bank not entered in the cash book for Rs. 200.
- v. Interest Debited by the bank not entered in the cash book Rs. 580.
- vi. Overdraft as per Passbook Rs. 18,990.

• **Solution:**

Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Overdraft as per pass book		18,990
2.	Cheque paid, but not credited		10,000
3.	Transferred funds not recorded	8,000	
4.	Cheques issued, but not presented		7,429
5.	Bank charges debited		200
6.	Interest debited, not entered		580

	Balance as per cash book	29,199	
		37,199	37,199

**26. Unfavourable balance of the passbook**

Prepare a bank reconciliation statement from the following particulars and show the balance as per cash book.

- i. Balance as per passbook on December 31, 2005 overdrawn Rs. 20,000.
- ii. Interest on bank overdraft not entered in the cash book Rs. 2,000.
- iii. Rs. 200 insurance premium paid by bank has not been entered in the cash book.
- iv. Cheques drawn in the last week of December, 2005, but not cleared till date for Rs. 3,000 and Rs. 3,500.
- v. Cheques deposited into bank on November, 2005, but yet to be credited on dated December 31, 2005 Rs. 6,000.
- vi. Wrongly debited by bank Rs. 500.

**Solution:**

Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Overdraft as per pass book		20,000
2.	Interest on overdraft	2,000	
3.	Insurance premium	200	
4.	Cheques drawn, not cleared	3,000	
		3,500	
5.	Cheque deposited, not yet credited		6,000
6.	Wrong debit	500	
7.	Balance as per cash book	16,800	
		<b>26,000</b>	<b>26,000</b>

**27. Unfavourable balance of the passbook**

The passbook of Mr. Randhir showed an overdraft of Rs. 40,950 on March 31, 2005. Prepare bank reconciliation statement on March 31, 2005.

- i. Out of cheques amounting to Rs. 8,000 drawn by Mr. Randhir on March 27 a cheque for Rs. 3,000 was encashed on April 03.
- ii. Credited by bank with Rs. 3,800 for interest collected by them, but the amount is not entered in the cash book.



- iii. **Rs. 10,900 paid in by Mr. Randhir in cash and by cheques on March, 31 cheques amounting to Rs. 3,800 were collected on April, 07.**
- iv. **A Cheque of Rs. 780 credited in the passbook on March 28 being dishonoured is debited again in the passbook on April 01, 2005. There was no entry in the cash book about the dishonour of the cheque until April 15.**

**Solution:**

Bank Reconciliation Statement as on 31.12.2005

S. No.	Particulars	Amount + (Rs)	Amount - (Rs)
1.	Overdraft as per pass book		40,950
2.	Interest credited, not entered	3,800	
3.	Bill dishonoured	780	
	Balance as per cash book	36,350	
		<b>40,950</b>	<b>40,950</b>