Bank Reconciliation made simple & fast by Mr Samadhan –M.no. 8779553639–ICAI – Module – CPT – Page No. 13.13 & 13.14

Illustration 1

From the following particulars ascertain the balance that would appear in the Bank Pass Book of A on 31st December, 2006.

(1) The bank overdraft as per Cash Book on 31st December, 2006 Rs. 6,340

(2) Interest on overdraft for 6 months ending 31st December, 2006 Rs. 160 is entered in Pass Book.

(3) Bank charges of Rs. 30 for the above paid are debited in the Pass Book.

(4) Cheques issued but not cashed prior to 31st December, 2006, amounted to Rs. 1,168.

(5) Cheques paid into bank but not cleared before 31st December, 2006 were for Rs. 2,170.

(6) Interest on investments collected by the bank and credited in the Pass Book Rs. 1,200.

Note : In this illustration the point to note is the opening balance is an overdraft. Hence, items which increase the balance at bank will be deducted from the overdraft since money deposited will reduce the overdraft. Similarly, item which reduce the balance at bank will be added to the overdraft.

Solution

Bank Reconciliation Statement *As on 31st December, 2006*

Particular	*Amount* Rs.
Overdraft as per Cash Book	6,340
1) Add : Interest debited in Pass Book but not yet entered in Cash Book	+ 160
2) Add : Bank charges debited in Pass Book but not entered in the Cash Book	+ 30
3) Add : Cheques deposited but not yet credited Pass Book	+ 2,170
4) Less : Cheques issued but not yet presented	(1,168)
5) Less : Interest collected and credited by bank but not yet entered in Cash Book	(1,200)
Overdraft as per Pass Book	6,332

Simple way to solve this problem

1) I know that there is inverse relationship of expenses & Bank /Cash balance (Beacause more the expenses your bank or cash balance will be reduced means { Jitana Jyada Kharcha Likhoge utana tumahra Cash/bank Balance kum hoga}
2) Also there is direct relationship between income & cash /bank Balance (More income your cash or bank balance will be higher){ means jitana jyada income utana jyada tumara cash/bank balance.
3) So my formula will be under positive bankbalance or cash balance is – payment Change & receipt same – I.e inverse relationship of expenses leads to change in sign of difference & in case of income will be same (Expenses sign of difference will be change& in case of income sign of difference will be same ….(what wil be the sign of difference now?)
4) So in case of normal balance – my formula is Payment change & receipt will be same –i.e PCRS
5) & in case of overdraft balance –my formula is payment same & rceipt will be change –i.e PSRC
6) In above example there is overdraft balance so my formula is as per point no 5 i.e in case of overdraft balance –my formula is payment same & rceipt will be change –i.e PSRC
7) Now I am taking difference in both balances

Sr no.	particular	Payment/receipt	Overdrat as per cash book	Difference (now I have to go from cash book to bank book)	Overdrat as per bank book	Result here – PSRC due to overdraft
1	Interest debited in	Expenses =payment	Not entered in	As I have to make addition of Rs 160	160	As my formula is payment same and receipt change in case of

	Pass Book but not yet entered in Cash Book – Rs 160		cash book means zero	from getting balance of 160 in bank book i.e I have to add 160 in zero ..so that I can obtain balance as per bank book of Rs 160….(so difference is + 160)		overdraft balance..so interest debited is expenses = payment and that sign will remain same i.e. here + 160 will remain same i.e . +160
			0	+160	160	+160 i.e Add
2	Bank charges of Rs. 30 for the above paid are debited in the Pass Book.	Expenses =payment	Not entered in cash book means zero	As I have to make addition of Rs 30 from getting balance of 30 in bank book i.e I have to add 160 in zero ..so that I can obtain balance as per bank book of Rs 30….(so difference is + 30)	30	As my formula is payment same and receipt change in case of overdraft balance..so Bank charges of Rs. 30 for the above paid are debited in the Pass Book and that sign will remain same i.e. here + sign 30 will remain same i.e . +30
			0	+30 (here + sign)	30	+30 i.e Add
3	Cheques deposited but not yet credited Pass Book Rs 2,170	Income = receipt	2170 entered in cash book	As I have 2170 in cash book & in bank book balance is zero..so I have to reduce 2170 to obtain zeoo balance in pass book ie. 2170 - 2170=0 (it means I have to reduce - 2170)	not yet credited (entered in) Pass Book means zero here	As in overdrat my formula is payment same& receipt change…here amount credited means it is receipt..and receipt will be the change..i.e sign of -2170 will be changed..ie. positive 2170
			2170	-2170 (here negative sign)	0	+2170 i.e Add
4	Cheques issued but not yet presented Rs 1168 (means not recorded in bank but recorded in cash book)	Cheques issued means expenses i.e payment	1168	-1168 (i.e negative sign)	0	As in overdrat my formula is payment same& receipt change…here amount debited means it is payment..and payment will be the same ..i.e sign of negative -1168 will remain same..ie. negative 1168
			1168	-1168	0	-1168 (i.e less)
5	Interest collected and credited by bank but not yet entered in Cash Book (1,200)	Income = receipt	Not recorded in cash book means zero	As I have to make addition of Rs 1120 from getting balance of 1200 in bank book i.e I have to add 1200 in zero ..so that I can obtain balance as per bank book of Rs 1200….(so difference is + 1200)	Recorded in passbook means 1200	As in overdrat my formula is payment same& receipt change…here amount credited means it is receipt ..and receipt will be the change ..i.e sign of positive + 1200 will be changed ..ie. negative - 1200
			0	+1200(here positive sign)	1200	-1200 (i.e less)

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