DUNMAN SECONDARY SCHOOL

NAME: _____ ()

CLASS:

CHAPTER 8: BANK RECONCILIATION

8.1 Bank Statement

Bank statement is a statement that the bank sends to the business at regular intervals to update the business on its Bank Account. It gives details of the money drawn out and deposits made by the business.



- Debit column of the bank statement: Records all payment from the bank account
- Credit column of the bank statement: <u>Records all deposits into the bank account</u>
- **Balance column** of the bank statement: shows the balance in the bank after each transaction.
 - Credit balance indicates <u>a positive balance in the bank</u>.
 - Debit balance indicates an overdraft balance in the bank.



8.2 Purpose of Bank Reconciliation

Bank reconciliation is usually performed at the <u>end</u> of the month when the bank statement is received. It is to reconcile the <u>differences</u> between the cash at bank account and the bank statement.

Bank reconciliation also checks for errors in the cash at bank account and bank statement.

The difference between the ending balances in the business cash at bank account and the bank statement is due to **<u>timing</u>** differences in recording.

Timing differences happen when:					
Business has recorded the transaction but	Business has not recorded the transaction				
the bank has not .	but the bank has.				

8.3 Examples of Timing Differences



EXAMPLE 6 Deposits in transit		
Business deposited the cheque Bank bas not processed the cheque yet	Business recorded?	Bank recorded?
EXAMPLE 7 Dishonoured cheques	;	
rejects a cheque that the business has Bank previously deposited	Business recorded?	Bank recorded?

8.4 Bank Reconciliation

Same opening balances

Step	1:	Circle	the	differences	between	Cash a	at bank	account	and	Bank	stateme	ent.



Cash at bank account

Step 2: Update the Cash at bank account

Cash at bank account					
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)	
2021					
Apr 30	Balance b/d			800 Dr	
30	Rent expense		120	680 Dr	
30	Commission income	50		730 Dr	
May 1	Balance b/d			730 Dr	

thic balance

Hartini					
Bank reconciliation statement as at 30 April 2021					
	\$	\$			
Balance as per bank statement		715			
Add: Deposits in transit					
Andrew Co		40			
		755			
Less: Cheques not yet presented					
Phoenix Ltd		(25)			
Adjusted balance as per cash at bank account		730			

Example 1

The cash at bank account of Phil Laundry for the month of November 20X8 is shown below.

Date	Particulars	Cheque	Dr (\$)	Cr (\$)	Bal (\$)
20X8					
Nov 1	Balance b/d				6 230 Dr
3	T-machine Trading	2135		280	5 950 Dr
10	Drawings	2136		450	5 500 Dr
17	Winterly Co		(670)		6 170 Dr
22	Inventory	2137)	(2 230)	3 940 Dr
26	Karly Ltd	2138		940	3 000 Dr
28	Service fee revenue		1 500		4 500 Dr
Dec 1	Balance b/d				4 500 Dr
		•			

Cash at bank account

Phil Laundry received the following bank statement dated 30 November 20X8.

Bank statement

Date	Particulars	Withdrawal	Deposit	Balance
20X8		\$	\$	\$
Nov 1	Balance b/d			6 230 Cr
5	Cheque no. 2135	280		5 950 Cr
11	Cheque no. 2136	450		5 500 Cr
15	Credit transfers – rental	\frown	(1 210)	6 710 Cr
19	Standing order – wages and salaries	(880))	5 830 Cr
27	Cheque no. 2138	940		4 890 Cr
30	Cash		1 500	6 390 Cr
	1	8		

REQUIRED

(a) Update the cash at bank account for the month ended 30 November 20X8. Bring down the balance to the next month.

Cash at bank account					
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)	
20X8					
Nov 30	Balance b/d			4 500 Dr	
30	Rent income	1 210		5 710 Dr	
30	Wages and salaries		880	4 830 Dr	
Dec 1	Balance b/d			4 830 Dr	

(b) Prepare the bank reconciliation statement as at 30 November 20X8.

Phil Laundry				
Bank reconciliation statement as at 30 November 20X8				
	\$	\$		
Balance as per bank statement		6 390		
Add: Deposits in transit				
Winterly Co		670		
		7 060		
Less: Cheques not yet presented				
Inventory		(2 230)		
Adjusted balance as per cash at bank account		4 830		

- (c) State the effect of bank reconciliation statement on the profit as at 30 November 20X8.
 The profit for the period increased by \$330. (\$1 210 \$880)
- (d) State how the adjusted cash at bank balance as at 30 November 20X8 is presented on the statement of financial position.

Current assets, cash at bank \$4 830.

Example 2

The cash at bank account of Madeline's Snacks for the month of May 20X2 is shown below.

Date	Particulars	Cheque	Dr (\$)	Cr (\$)	Bal (\$)
20X2					
May 1	Balance b/d				1 020 Dr
5	Sales revenue		520		1 540 Dr
11	Gavin	0420		660	880 Dr
18	Rent expense	0421		445	435 Dr
22	Julia		290		725 Dr
27	Insurance	0422		1 100	375 Cr
30	Inventory	0423		(420)	795 Cr
Jun 1	Balance b/d)	795 <mark>Cr</mark>
	1				ne aativ

Cash at bank account

Madeline's Snacks received the following bank statement dated 31 May 20X2.

Date	Particulars	Withdrawal	Deposit	Balance
20X2		\$	\$	\$
May 1	Balance b/d			1 020 Cr
12	Cheque no. 0420	660		360 Cr
15	Standing order – utilities	(240)		120 Cr
20	Cheque no. 0421	445		325 Dr
23	Cheque		290	35 Dr
27	Rejected cheque from 22 May	(290)		325 Dr
29	Cheque no. 0422	1 100	(1 425 Dr
31	Interest		(80)	1 345 <mark>Dr</mark>
	I			negati

Bank statement

bank balance

home

balance

REQUIRED

(a) Update the cash at bank account for the month ended 31 May 20X2. Bring down the balance to the next month.

Cash at bank account					
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)	
20X2					
May 31	Balance b/d			795 Cr	
31	Utilities expense		240	1 035 Cr	
31	Trade receivables, Julia (dishonoured cheque)		290	1 325 Cr	
31	Interest income	80		1 245 Cr	
Jun 1	Balance b/d			1 245 Cr	

(b) Prepare the bank reconciliation statement as at 31 May 20X2.

Madeline's Snacks			
Bank reconciliation statement as at 31 May 20X2			
	\$	\$	
Balance as per bank statement		(1 345)	
Add: Deposits in transit			
Sales revenue		520	
		(825)	
Less: Cheques not yet presented			
Inventory		(420)	
Adjusted balance as per cash at bank account		(1 245)	

- (c) State the effect of bank reconciliation statement on the profit as at 31 May 20X2.
 The profit for the period decreased by \$160. (\$80 \$240)
- (d) State how the adjusted cash at bank balance as at 31 May 20X2 is presented on the statement of financial position.

Current liabilities, bank overdraft \$1 245.

Different opening balances

Step 1: Check the cause of difference in opening balances before circling the differences.



Cash at bank account

Step 2: Update the Cash at bank account

Cash at bank account				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2021				
Apr 30	Balance b/d			800 Dr
30	Rent expense		120	680 Dr
30	Commission income	50		730 Dr
May 1	Balance b/d			730 Dr

Step 3: Prepare the bank reconciliation statement

Merlion			
Bank reconciliation statement as at 30 April 2021			
	\$	\$	
Balance as per bank statement		715	
Add: Deposits in transit			
Andrew Co		40	
		755	
Less: Cheques not yet presented			
Phoenix Ltd		(25)	
Adjusted balance as per cash at bank account		730	

Example 3

The cash at bank account of Bae Electronics for the month of January 20X4 is shown below.

Date	Particulars	Cheque	Dr (\$)	Cr (\$)	Bal (\$)
20X4					
Jan 1	Balance b/d				1 020 Dr —
5	Sales revenue		800		1 820 Dr
11	Weber	8121		200	1 620 Dr
16	Wages and salaries	8122		550	1 070 Dr
22	Claire		470		1 540 Dr
24	Insurance	8123		(660)	880 Dr
28	Drawings	8124		390	490 Dr
Feb 1	Balance b/d				490 Dr

Cash at bank account

Bae Electronics received the following bank statement dated 31 January 20X4.

Bank statement

Date	Particulars	Withdrawal	Deposit	Balance	
20X4		\$	\$	\$	
Jan 1	Balance b/d			1 400 Cr _	
3	-Cheque no. 8120	380 -		1 020 Cr	
7	Cheque deposit		800	1 820 Cr	
12	Cheque no. 8121	200		1 620 Cr	
15	Standing order – utilities	(350)		1 270 Cr	
20	Cheque no. 8122	550		720 Cr	
23	Cheque		470	1 190 Cr	
25	Rejected cheque from 22 Jan	(470)		720 Cr	
29	Cheque no. 8124	390		330 Cr	
31	Bank charges	(400)		70 Dr	
always speaty					
the customer					
who gave the					
discontrated cheque					

REQUIRED

(a) Update the cash at bank account for the month ended 31 January 20X4. Bring down the balance to the next month.

Cash at bank account				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
20X4				
Jan 31	Balance b/d			490 Dr
31	Utilities expense		350	140 Dr
31	Trade receivables, Claire (dishonoured cheque)		470	330 Cr
31	Bank charges		400	730 Cr
Feb 1	Balance b/d			730 Cr

(b) Prepare the bank reconciliation statement as at 31 January 20X4.

Bae Electronics			
Bank reconciliation statement as at 31 January 20X4			
	\$	\$	
Balance as per bank statement		(70)	
Less: Cheques not yet presented			
Insurance		(660)	
Adjusted balance as per cash at bank account		(730)	

- (c) State the effect of bank reconciliation statement on the profit as at 31 January 20X4.The profit for the period decreased by \$750. (\$350 + \$400)
- (d) State how the adjusted cash at bank balance as at 31 January 20X4 is presented on the statement of financial position.

Current liabilities, bank overdraft \$730.