Chapter # 4

Bank Reconciliation Statement

Principles of Accounting – B.Com Part – I

Sameer Hussain
WHAT THE EXAMINER USUALLY ASK?

- Bank Reconciliation Statement.
- Adjusting Entries.
- Computing missing values.
KINDS OF CHEQUES

**Bearer Cheque:** When the words "or bearer" appearing on the face of the cheque are not cancelled, the cheque is called a bearer cheque. The bearer cheque is payable to the person specified therein or to any other else who presents it to the bank for payment. However, such cheques are risky; this is because if such cheques are lost, the finder of the cheque can collect payment from the bank.

**Order Cheque:** When the word "bearer" appearing on the face of a cheque is cancelled and when in its place the word "or order" is written on the face of the cheque, the cheque is called an order cheque. Such a cheque is payable to the person specified therein as the payee, or to any one else to whom it is endorsed (transferred).

**Uncrossed / Open Cheque:** When a cheque is not crossed, it is known as an "Open Cheque" or an "Uncrossed Cheque". The payment of such a cheque can be obtained at the counter of the bank. An open cheque may be a bearer cheque or an order one.

**Cross Cheque:** Crossing of cheque means drawing two parallel lines on the face of the cheque with or without additional words like "& CO." or "Account Payee" or "Not Negotiable". A crossed cheque cannot be en-cashed at the cash counter of a bank but it can only be credited to the payee's account.

**Anti – Dated Cheque:** If a cheque bears a date earlier than the date on which it is presented to the bank, it is called as "anti-dated cheque". Such a cheque is valid upto six months from the date of the cheque.

**Post – Dated Cheque:** If a cheque bears a date which is yet to come (future date) then it is known as post-dated cheque. A post-dated cheque cannot be honoured earlier than the date on the cheque.

**Stale Cheque:** If a cheque is presented for payment after six months from the date of the cheque it is called stale cheque. A stale cheque is not honoured by the bank.
REASONS OF DIFFERENCES
The differences between Cash Book and bank reconciliation statement can be arises due to following reasons:

Uncleared Cheques: Cheques deposited into bank but have not yet been cleared by the bank because the cheques are under clearing process.

Outstanding Cheques: Cheques written by an entity that have not yet cleared the bank.

Unpresented Cheques: Cheques issued by the company to the supplier but have not yet been presented to the bank by the supplier.

Direct Deposit by Customer: Customer made direct deposit into the company's bank account which has not been entered into the cash book.

Bank Charges: Bank deducted charges for the services rendered by the bank.

Post Dated Cheques: Cheques which have been written by the drawer for a date in the future.

Deposit in Transit: Cheques that have been sent to the bank but do not appear on the latest bank statement (because the most recent transactions are not on the bank statement).

Dishonoured Cheques: A cheque which is not paid by a bank when it is presented for payment not usually because there is not enough money in the person's account to pay the cheque.

Errors: Errors made by the bank or company.

ADD IN BANK STATEMENT
- Un-cleared cheques.
- Unrecorded cheques.
- Last day deposit cheques.
- Late deposit cheques.
- Cheques deposited but not shown in bank statement.
Outstation cheques.
Deposit in transit.
Any error made by bank which results decrease in balance.

LESS FROM BANK STATEMENT
- Unpresented cheques.
- Outstanding cheques.
- Cheques issued but not shown in bank statement.
- Any error made by bank which results increase in balance.

ADD IN CASH BOOK
- Note/bill received by bank as per instructions.
- Interest on note/bill received by bank as per instruction.
- Interest credited by bank.
- Dividend collected by bank as per instructions.
- Any amount of profit received by bank as per instructions.
- Direct deposit by customer into bank account.
- Error by company which results decrease in receipt side or increase in payment side.

LESS FROM CASH BOOK
- Note/bill paid by bank as per instructions.
- Interest on note/bill paid by bank as per instructions.
- Interest debited by bank.
- Any amount of liability or expenses paid by bank as per instructions.
- Zakat deductions.
- Bank service charges.
- Collection charges.
- Dishonored cheques.
- Post-dated cheques.
- Mark up.
- Withholding Tax.
- Error by company which results increase in receipt side or decrease in payment side.

ADJUSTING ENTRIES
Adjusting entries are made to adjust the bank balance. Only those transactions are recorded in the General Journal which are added in the cash book or subtracted from the cash book. The transactions which are added or subtracted from the bank statement are not recorded in the General Journal because they are already recorded in the company's record.

ILLUSTRATION # 1: (Simple Bank Reconciliation Statement)

2003 Regular & Private – UOK
The cash book of Liaq & Co. showed a debit balance of Rs.20,452 while the bank statement for the month of Nov. 2003 showed the balance of Rs.16,365. Following items were discovered causing the difference:
1) Bank charges not entered in cash book Rs.52.
2) Late deposits not recorded by bank Rs.3,135.
3) Cheques issued but not presented Rs.2,500.
4) Promissory note collected by bank Rs.4,600.
5) Cheque deposited but not shown on bank statement Rs.3,000.
6) Zakat deducted Rs.1,000 & interest credited Rs.300 by bank.
Bank Reconciliation Statement

Chapter # 4

7) Cheques dishonoured and returned by bank Rs.4,300.

REQUIRED
Prepare Bank Reconciliation Statement and adjusting entries in the journal.

SOLUTION # 1:

LIAQ & CO.
BANK RECONCILIATION STATEMENT
FOR THE MONTH OF NOVEMBER 2003

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Cash Book</th>
<th>Pass Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance on 30 November 2003</td>
<td>20,452</td>
<td>16,365</td>
</tr>
<tr>
<td>Less: Bank charges (i)</td>
<td>(52)</td>
<td></td>
</tr>
<tr>
<td>Add: Late deposit cheque (ii)</td>
<td></td>
<td>3,135</td>
</tr>
<tr>
<td>Less: Unpresented cheques (iii)</td>
<td></td>
<td>(2,500)</td>
</tr>
<tr>
<td>Add: Note collected by bank (iv)</td>
<td></td>
<td>4,600</td>
</tr>
<tr>
<td>Add: Cheques deposited but not shown (v)</td>
<td></td>
<td>(1,000)</td>
</tr>
<tr>
<td>Less: Zakat deduction (vi)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Interest income (vi)</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>Less: Dishonoured cheque (vii)</td>
<td></td>
<td>(4,300)</td>
</tr>
<tr>
<td><strong>Reconcile balance</strong></td>
<td><strong>20,000</strong></td>
<td><strong>20,000</strong></td>
</tr>
</tbody>
</table>

LIAQ & CO.
GENERAL JOURNAL
FOR THE MONTH OF NOVEMBER 2003

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank charges</td>
<td></td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>(To record the bank charges deducted by bank)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Bank</td>
<td></td>
<td>4,600</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Notes receivable</td>
<td></td>
<td></td>
<td>4,600</td>
</tr>
<tr>
<td></td>
<td>(To record the note collected by bank)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Zakat deduction</td>
<td></td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bank</td>
<td></td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>(To record the Zakat deducted by bank)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Bank</td>
<td></td>
<td>300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest income</td>
<td></td>
<td></td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>(To record the interest income credited by bank)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Accounts receivable</td>
<td></td>
<td>4,300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bank</td>
<td></td>
<td></td>
<td>4,300</td>
</tr>
<tr>
<td></td>
<td>(To record the dishonoured cheque)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ILLUSTRATION # 2: (Bank Reconciliation Statement with Errors)

1997 Private – UOK

During the process of completing the bank reconciliation of Millat Supply Co. for 28, February 1997, the following facts were discovered:

- Balance as per cash book Rs. 437,850
- Balance as per bank statement Rs. 460,750
- A cheque for Rs.2,050 was wrongly deducted in the cash book as Rs. 20,500.
- Company deposited three cheques during the month, but one cheque of Rs. 24,000 remain uncleared.
- Cheque book charges by bank Rs.50.
- Bank charges of Rs. 1,500 were deducted by the bank.
- Cheque amounting to Rs. 67,450 found outstanding.
6) A cheque amounting to Rs.36,550 returned by bank marked.
7) A cheque for Rs.36,500 was issued but entered in the company's record as Rs.35,600.

REQUIRED

SOLUTION # 2:

MILLAT SUPPLY CO.
BANK RECONCILIATION STATEMENT
FOR THE MONTH OF FEBRUARY 1997

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Cash Book</th>
<th>Pass Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance on 28 February 1997</td>
<td>437,850</td>
<td>460,750</td>
</tr>
<tr>
<td>Add: Accounts payable – Error (i)</td>
<td>18,450</td>
<td></td>
</tr>
<tr>
<td>Add: Uncleared cheque (ii)</td>
<td></td>
<td>24,000</td>
</tr>
<tr>
<td>Less: Cheque book charges (iii)</td>
<td></td>
<td>(50)</td>
</tr>
<tr>
<td>Less: Bank charges (iv)</td>
<td>(1,500)</td>
<td></td>
</tr>
<tr>
<td>Less: Outstanding cheques (v)</td>
<td></td>
<td>(67,450)</td>
</tr>
<tr>
<td>Less: Dishonoured cheque (vi)</td>
<td>(36,550)</td>
<td></td>
</tr>
<tr>
<td>less: Accounts payable – Error (vii)</td>
<td>(900)</td>
<td></td>
</tr>
<tr>
<td>Reconcile balance</td>
<td>417,300</td>
<td>417,300</td>
</tr>
</tbody>
</table>

ILLUSTRATION # 3: (Bank Reconciliation with Overdraft Balances)

On Comparison of cash book entries with those of the bank statement of Maqsood Company on June 30, 1996, the following differences were found:

1) Cash book balance (Dr.) Rs.15,000.
2) Bank statement balance (Dr.) Rs.20,000.
3) A cheque for Rs.14,500 deposited into bank was wrongly entered into bank statement for Rs.5,100.
4) Marked-up charged by bank Rs.600.
5) Cheque of Baber & Co. for Rs.3,500 has marked NSF (Dishonoured) and returned by bank.
6) A cheque drawn for purchases of equipment Rs.4,000 but was recorded by Company Rs.2,500.
7) A customer cheque for Rs.8,600 deposited directly in bank was, by mistake entered into cash column of cash book.
8) Total uncleared cheques amounted to Rs.30,000.
9) Cheques issued Rs.10,000 but presented for cash Rs.5,800 into bank.
10) The bank paid a non-interest bearing note for Maqsood Company's account Rs.3,000 was not recorded in cash book.
11) A cheque Rs.2,000 drawn by Maqbool Company, was wrongly debited by bank to Maqsood Co. account.
12) Dividend collected by bank but was not recorded in cash book Rs.2,200.

REQUIRED
(i) Prepare a Bank Reconciliation Statement showing adjusted balance.
Bank Reconciliation Statement

Chapter # 4

SOLUTION # 3:

MAQSOOD COMPANY
BANK RECONCILIATION STATEMENT
FOR THE MONTH OF JUNE 1996

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Cash Book</th>
<th>Pass Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance on 30 June 1996</td>
<td>15,000</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Add: Error by bank (iii)</td>
<td></td>
<td>9,400</td>
</tr>
<tr>
<td>Less: Dishonoured cheque (v)</td>
<td></td>
<td>(3,500)</td>
</tr>
<tr>
<td>Less: Equipment – Error (vi)</td>
<td></td>
<td>(1,500)</td>
</tr>
<tr>
<td>Add: Direct deposit – Error (vii)</td>
<td></td>
<td>8,600</td>
</tr>
<tr>
<td>Add: Uncleared cheques (viii)</td>
<td></td>
<td>30,000</td>
</tr>
<tr>
<td>Less: Unpresented cheques (ix)</td>
<td></td>
<td>(4,200)</td>
</tr>
<tr>
<td>Less: Notes payable (x)</td>
<td></td>
<td>(3,000)</td>
</tr>
<tr>
<td>Add: Error by bank (xi)</td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>Add: Dividend income (xii)</td>
<td></td>
<td>2,200</td>
</tr>
<tr>
<td>Reconcile balance</td>
<td>17,200</td>
<td>17,200</td>
</tr>
</tbody>
</table>

MAQSOOD COMPANY
GENERAL JOURNAL
FOR THE MONTH OF JUNE 1996

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mark – up charges Bank</td>
<td></td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td>(To record the mark –up charged by bank)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Accounts receivable Bank</td>
<td></td>
<td>3,500</td>
<td>3,500</td>
</tr>
<tr>
<td></td>
<td>(To record the dishonoured cheque returned by bank)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Equipment Bank</td>
<td></td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td></td>
<td>(To record the correction on purchase of equipment)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Bank Cash</td>
<td></td>
<td>8,600</td>
<td>8,600</td>
</tr>
<tr>
<td></td>
<td>(To record the correction of direct deposit into bank)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Notes payable Bank</td>
<td></td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>(To record the notes paid by bank on firm’s behalf)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Bank Dividend income</td>
<td></td>
<td>2,200</td>
<td>2,200</td>
</tr>
<tr>
<td></td>
<td>(To record the dividend credited by bank)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ILLUSTRATION # 4:  (Bank Reconciliation with T – Account)

2000 Regular & Private – UOK

The following information pertains to Salim & Co.
1) The balance on May 31 bank statement is Rs.16,870 (Cr.).
2) Withdrawals of cash Rs.90 from bank for personal use by Salim has not been recorded in cash book.
3) Cheques issued by Salim that have not yet been paid by the bank total Rs.3,160.
4) The cheque of Rs.28 to pay for freight was wrongly recorded on cash book as Rs.82.
Bank Reconciliation Statement

Chapter # 4

5) A deposit of Rs.1,496 was made on 31st which does not appear on bank statement.
6) Issued a cheque for Rs.5,885 to pay for merchandise purchase. The bank statement showed payment of correct amount but it was erroneously recorded on cash book as Rs.8,585.
7) A customer’s cheque for Rs.58 was returned with the remarks N.S.F.
8) Deposited a customer’s cheque Rs.9,640 was shown on the bank statement as Rs.6,940.
9) The bank collected for Salim Rs.1,760 including interest of Rs.160 on a note left for collection.

10) Cash in bank

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Cash Book</th>
<th>Pass Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance on 31 May</td>
<td>13,540</td>
<td>16,870</td>
</tr>
<tr>
<td>Less: Drawings (ii)</td>
<td>(90)</td>
<td></td>
</tr>
<tr>
<td>Less: Unpresented cheques (iii)</td>
<td>(3,160)</td>
<td></td>
</tr>
<tr>
<td>Add: Freight – Error (iv)</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Add: Last day deposit (v)</td>
<td>1,496</td>
<td></td>
</tr>
<tr>
<td>Add: Purchases – Error (vi)</td>
<td>2,700</td>
<td></td>
</tr>
<tr>
<td>Less: Dishonoured cheque (vii)</td>
<td>(58)</td>
<td></td>
</tr>
<tr>
<td>Add: error by bank (viii)</td>
<td>2,700</td>
<td></td>
</tr>
<tr>
<td>Add: Notes receivable (ix)</td>
<td>1,600</td>
<td></td>
</tr>
<tr>
<td>Add: Interest income (ix)</td>
<td>160</td>
<td></td>
</tr>
<tr>
<td><strong>Reconcile balance</strong></td>
<td><strong>17,906</strong></td>
<td><strong>17,906</strong></td>
</tr>
</tbody>
</table>

SALIM & CO.
GENERAL JOURNAL
FOR THE MONTH OF MAY

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Drawings</td>
<td></td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the cash withdrew by owner for personal use)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Bank</td>
<td></td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Freight</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the correction of error in freight)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Bank</td>
<td></td>
<td>2,700</td>
<td>2,700</td>
</tr>
<tr>
<td></td>
<td>Purchases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the correction of error in purchases)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Accounts receivable</td>
<td></td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the dishonoured cheque returned by bank)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Bank Reconciliation Statement

### Chapter # 4

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Bank Notes receivable (To record the note collected by bank for company)</td>
<td>1,600</td>
<td></td>
<td>1,600</td>
</tr>
<tr>
<td>6</td>
<td>Bank Interest income (To record the interest credited by bank)</td>
<td>160</td>
<td></td>
<td>160</td>
</tr>
</tbody>
</table>

*Computation of Bank Balance as per Cash Book at 31 May:*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank opening balance per cash book</td>
<td>2,540</td>
</tr>
<tr>
<td>Add: deposits</td>
<td>39,400</td>
</tr>
<tr>
<td></td>
<td>41,940</td>
</tr>
<tr>
<td>Less: Withdrawals</td>
<td>(28,400)</td>
</tr>
<tr>
<td><em>Cash book balance (Bank column)</em></td>
<td>13,540</td>
</tr>
</tbody>
</table>
PRACTICE QUESTIONS

Question # 1: 2009 Private – UOK
M/S. Ali Sher’s cash book showed a debit balance of Rs.204,520, while the bank statement showed a credit balance of Rs.163,650 at 31-1-09.
The following items were discovered causing the difference in cash and bank balances:
1) Bank charges not entered in cash Rs.520.
2) Cheques issued but not presented Rs.25,000.
3) Promissory note collected by bank, but remained unrecorded in the firm’s books Rs.46,000.
4) Cheques deposited but not shown on bank statement Rs.61,350.
5) Interest credited by the bank, not recorded in cash Rs.3,000.
6) NSF cheques returned by the bank Rs.53,000.
REQUIRED
Prepare a Bank Reconciliation Statement and also entries to adjust the cash balance in General Journal.

Question # 2: 1998 Regular – UOK
Nawaz Traders reports the following balances at October 31st, 1998.
- Balance per bank statement Rs. 12,000/=
- Balance per cash book Rs. 8,000/=
Following are the differences between the balances as per cash book and bank statement:
1) Cheques issued but not paid Rs.2,000.
2) Cheques deposited but not yet cleared Rs.3,000.
3) Bank collected a note receivable for Rs.4,000 but not recorded in cash book.
4) Cheques issued and paid by the bank but not recorded in cash book Rs.2,000.
5) Cheques deposited by a customer directly into the bank but not recorded in the cash book Rs.2,000.
6) Deposited a cheque into the bank Rs.2,000 but mistakenly recorded in cash book as for Rs.1,000.
REQUIRED
(i) Prepare a bank reconciliation statement for the month ended October 31st 1998, correcting the two balances.
(ii) Give also the necessary adjusting entries.

Question # 3: 2010 Regular – UOK
The cash in bank account for Imam Company at January 31, of the current year indicated a balance of Rs.18,380. The bank statement indicated a balance of Rs.29,106. The comparison of the bank statement with the records revealed the following reconciling items:
(a) Cheques outstanding totals Rs.13,442.
(b) A deposit of Rs.6,918 has been too late to appear on the bank statement.
(c) The bank had collected Rs.4,330 on notes receivable with face value of Rs.4,000.
(d) A cheque for Rs.93 issued was erroneously recorded in cash book as Rs.39. the cheque was for the payment to Aleem & Co. for the purchase of office equipment.
(e) A cheque drawn for Rs.505 had been erroneously charged by bank as Rs.550.
(f) Bank service charges for January amounted to Rs.29.
REQUIRED
(a) Prepare bank reconciliation statement.
(b) Record necessary entries in general journal form.
Bank Reconciliation Statement

Chapter # 4

Question # 4: 2005 Private – UOK

The following information pertains to UMER BROS on June 30, 2005:

1) Balance as per cash book (bank column) Rs.26,700.
2) Issued a cheque for Rs.486 to a supplier but it was wrongly recorded in cash book as Rs.846.
3) The bank collected a note receivable for Rs.2,000 and interest earned on it Rs.500 but not recorded in cash book.
4) Collection charges of Rs.300 were not recorded by the Co.
5) A customer’s cheque for Rs.3,500 was returned by bank marked as N.S.F.
6) Bank service charges Rs.300 not recorded in cash book.
7) Bank collected dividend Rs.4,000 on behalf of Umer Bros but not recorded in cash book.

REQUIRED

(i) Prepare a schedule showing additions to and deductions from the unadjusted balance.
(ii) Prepare necessary adjusting entries.

Question # 5: 2004 Private – UOK

The following data relate to Zia & Co.

(a) Balance as per bank statement June 30, 2003, Rs.14,775.
(b) Balance as per cash book June 30, 2003, Rs.5,990.
(c) Outstanding cheques Rs.9,900.
(d) Bank deposit of June 30, for Rs.15,700 was not shown in the bank statement.
(e) The bank collected a note receivable for Rs.5,075 but not recorded in the cash book.
(f) Cheques deposited by a customer directly into bank but not recorded in the cash book Rs.8,000.
(g) A cheque of Rs.890 of Majeed, a customer which had been deposited into bank was erroneously recorded in the cash book as Rs.980.
(h) A cheque amounting to Rs.2,000 returned by bank marked N.S.F. (dishonored). No entry was made in the cash book.
(i) Dividend collected by bank but was not recorded in the cash book Rs.4,000.
(j) Bank charges of Rs.400 were not recorded by the company.

REQUIRED

(a) Prepare a bank Reconciliation Statement on June 30.
(b) Prepare adjusting journal entries.

Question # 6: 1993 Private – UOK

The accountant of Arif & Company has extracted the following data from its Cash Book (Bank Column) and it’s Bank Statement on October 31, 1993:

(1) Balance as per Bank Statement Rs.29,130.48.
(2) Balance as per Cash Book Rs.29,734.27.
(3) Bank Service charges not recorded in the cash book Rs.5.60.
(4) Cheque of Zulfiqar & Company for Rs.90.44 was dishonoured and returned by the bank.
(5) Profit given by the bank Rs.12.60.
(6) A cheque of Rs.503 for the purchase of furniture has erroneously in the cash book as Rs.305, although the bank had made the payment of Rs.503.
(7) A deposit of Rs.819.35 on October 31 had been made too late to appear on the Bank Statement.
(8) Cheques issued during October, 1993 but were not presented to the bank for payment Rs.497.

REQUIRED

(i) Prepare Bank Reconciliation Statement on October 31, 1993.
(ii) Prepare the necessary journal entries journal entries to adjust the cash account.

NOTE: Adjust Balance Method should be followed.
Bank Reconciliation Statement

Chapter # 4

Question # 7: 1991 Regular & Private – UOK

The Cash in Bank account of Imran and Company at June 30, 1991 showed a balance of Rs.12,500. The Bank statement for the same period showed balance of Rs.14,000. Comparison of the Bank Statement with the Company's records revealed the following reconciling items:

1. A deposit of Rs.1,500 on June 30 had been made too late to appear on the Bank Statement.
2. A cheque was drawn for the purchase of Supplies for Rs.800, but was recorded in Company's records as Rs.500.
3. Bank Charges of Rs.50 were not recorded by the Company.
4. A cheque for Rs.750 drawn by Kamran and Company was wrongly debited by the bank to Imran and Company's account.
5. Cheque of Faqir and Company for Rs.1,300 has marked NSF (dishonoured) and returned by the bank.
6. A cheque drawn for Rs.350 was wrongly charged by the bank of Rs.530.
7. The bank collected Rs.1,200 for Imran and Company on a Note, but the collection was not recorded in the books of Company.
8. Cheques issued during June but we not presented to the bank for payment Rs.4,380.

REQUIRED
(ii) Prepare necessary Journal Entries to adjust Imran and Company's record.

Question # 8: 1992 Regular – UOK

The following data related to Majid & Co.

1. Balance as per Bank Statement July 31, Rs.27,380.
2. Balance as per Cash Book July 31, Rs.14,065.
3. Outstanding Cheques Rs.9,977.
4. A cheque for Rs.2,077 was issued by the company in payment of merchandise and was paid by the bank but no entry had been made in company book.
5. Bank deposit of July 30, for Rs.1,570 not shown in Bank Statement.
6. Dividends collections were credited by the bank but they were not recorded in the Cash Book Rs.7,000.
7. Bank Service charges for July amounted to Rs.60 not recorded in the Cash Book.
8. The bank debited Rs.345 for insurance premium paid on July 28, on behalf of Majid Company, but it was recorded by Company as Rs.480.
9. A cheque for Rs.890 of Asif, a customer which had been deposited in the bank was erroneously recorded in the Cash Book as Rs.980.

REQUIRED
(ii) Prepare necessary adjusting entries.

Question # 9: 1996 Private – UOK

The accountant of Majid Company has extracted the following data from its cash book (bank column) and its bank statement on September 30, 1995:

1. Balance as per bank statement Rs.10,162.
2. Balance as per cash book Rs.12,525.
3. A cheque for Rs.1,500 was issued by the company for the purchase of furniture. The same was paid by bank but was not entered in company books.
4. A cheque for Rs.750 of Mr. Khalil deposited into bank but was erroneously recorded as Rs.570 in company books.
5. Bank deposit of September 30, for Rs.1,750 not shown in bank statement.
6. Dividends collections were credited by the bank but not recorded in company books, Rs.1,250.
Bank Reconciliation Statement

Chapter # 4

7) Bank returned a cheque of Rs.630 marked NSF, which was received from Hamid.
8) The company issued a cheque of Rs.1,250 for repairs whilst the same was erroneously recorded by the bank as Rs.1,520.
9) Cheques outstanding as of September 30, were as follows:
   No. 860 for Rs.151.93
   No. 867 for Rs.82.46 and
   No. 869 for Rs.122.61.

REQUIRED
(a) Prepare a Bank Reconciliation Statement of September 30, 1995.
(b) Prepare the necessary adjusting entries in General Journal form.

Question # 10:
A comparison of cash and bank records of M/s. Khalida and Afzal, revealed the following information on 31st July, 1997:-
(a) Balance as per cash book Rs.13,579/=.
(b) Balance as per bank statement Rs.1,019/=.
(c) Three cheques amounting Rs.1,300/=, Rs.3,100/= and Rs.4,400/= were issued to the suppliers. Only the first cheque of Rs.1,300/= was presented to the bank till last day of the month.
(d) Accompanying the bank statement was a cheque of Nizam Bros for Rs.5,000/= marked as NSF.
(e) The bank statement showed a debit of Rs.510 and Rs.150 being Zakat deduction and charges for collection respectively.
(f) Collection of dividend by the bank Rs.600 and note receivable of Rs.2,800 has no record in the cash book.
(g) A cheque of Rs.7,300 issued to Salman Paracha for purchase of office furniture was entered by the cashier as Rs.3,700 in the cash book.
(h) Four cheques totaling Rs.12,400 were sent to the bank for collection, but only three cheque of Rs.4,200 was collected and credited by the bank.
(i) The bank statement showed payment of Rs.1,200 as insurance premium and a note payable of Rs.3,000; but the cash book lacks this record.
(j) A cash deposit of Rs.6,000 into bank was erroneously been recorded by the firm’s cashier as Rs.600.
(k) Late deposit of Rs.7,200 on the last day did not appear in the bank statement.

REQUIRED

Question # 11:
The accountant of Nawaz Company has extracted the following data from its cash records and bank statement:
(a) The cash in bank account had a debit balance of Rs.32,400 on August 31, 2001, while the bank statement showed a credit balance of Rs.25,700 on the same date.
(b) The following items were not recorded in the company books:
   1) Profit credited by the bank Rs.750.
   2) Direct deposit by a customer Rs.4,100.
   3) Dividend collection by the bank on behalf of Nawaz Company Rs.1,210.
   4) Bank service charges Rs.160.
   5) Dishonoured cheque of a customer Rs.1,250.
   6) Promissory note paid by the bank on behalf of Nawaz Company Rs.4,000 (including interest Rs.500).
(c) The following items were not recorded by the bank:
   1) Outstanding cheque Rs.1,140.
Bank Reconciliation Statement

Chapter # 4

2) Deposit in transit Rs.8,320.

(d) Comparison of the cash in bank account with the bank statement revealed the following errors:

1) Cheque drawn by Niaz Company was debited by the bank to the account of Nawaz Company Rs.440.

2) A cheque for Rs.360 issued in payment of repair expense was credited by the company accountant as for Rs.630.

REQUIRED

(a) Prepare Bank Reconciliation for Nawaz Company.

(b) Prepare the general journal entries to adjust the accounts, assuming that the accounts have not been closed.

Question # 12: 2006 Private – UOK

The accountant of Atif and Company extracted the following data from its cash book (bank column) and its bank statement on Dec. 31, 2006.

1) Balance as per bank statement Rs.41,603.
2) Balance as per cash book Rs.38,400.
3) Deposit in transit Rs.3,200.
4) Cheque wrongly charged to the Co.’s a/c. by the bank Rs.4,800.
5) Bank service charges not recorded in the cash book Rs.320.
6) Shahid Sons cheque was returned by the bank as dishonored Rs.960.
7) A cheque was issued to Javaid for payment of Rs.821 but was erroneously recorded by Co. as Rs.504.
8) The loan granted and credited by the bank was not recorded in the company book Rs.8,000.
9) Outstanding cheques were in the amount of Rs.4,800.

REQUIRED


(ii) Prepare necessary adjusting entries.

Question # 13: 2007 Private – UOK

The accountant of Faraz Company has extracted the following data from its cash records and its bank statement on May 31, 2007.

(a) Balance as per cash record Rs.40,000.
(b) Balance as per bank statement Rs.50,000.
(c) Last day deposit not shown in the bank statement Rs.20,000.
(d) Uncleared cheques Rs.10,000.
(e) Unpresented cheques Rs.15,000.
(f) Cheque No. 22 for Rs.1,200 was deposited in the bank but it was recorded by them as Rs.2,100.
(g) Direct deposit in the bank Rs.12,000 was not recorded in the cash record.
(h) Cheque deposited for Rs.6,500 was recorded in the cash records as Rs.5,600.
(i) Bank service charges were not recorded in the cash records Rs.800.
(j) Promissory note paid by the bank was not recorded in the cash record Rs.5,000.
(k) Dividend collection was credited by the bank but was not recorded in the cash record Rs.17,000.

REQUIRED


(ii) Prepare necessary entries to adjust Faraz Company record.
Bank Reconciliation Statement

Chapter # 4

Question # 14: 1989 Regular & Private – UOK
On December 31, 1988 the cash in bank account of Karim & Co. had a debit balance of Rs.15,113.40 whilst the Bank Statement of same data revealed a credit balance of Rs.23,840.30. Comparison of the Bank Statement with the Company’s records revealed the following reconciling items:

(a) Cheques deposited but not yet credited Rs.1,840.
(b) Cheques issued which had not been presented totaled Rs.5,954.90.
(c) The bank had erroneously charged Rs.1,200 cheque of Karim Company against Karim & Co.’s bank account.
(d) Service charge item made by the Bank not yet recorded in Company’s books was Rs.8.
(e) Karim had borrowed Rs.5,000 from the bank but neglected to record it. The bank statement shows the Rs.5,000 borrowed as a deposit.
(f) Bank had collected for Karim & Co. Rs.910 on note left for collection. It was shown in the bank statement.
(g) A cheque for Rs.120 had been entered in company’s books as Rs.210. This was a personal withdrawal by the owner. The bank statement showed a payment of Rs.120.
(h) Karim & Co. had made an error in recording a payment for repairs Rs.1,350 whilst the cheque was issued for the correct amount of Rs.1,530.

REQUIRED
2) Prepare Necessary Journal entries to adjust Karim & Co.’s record.

Question # 15: 1992 Private – UOK
The information needed to prepare Bank Reconciliation and related Adjusting Entries for Farooq Co. at September 30, 1992 is listed below:

(a) Balance as per Cash Book Rs.10,500.
(b) The Bank Statement showed at Dr. balance (over draft) Rs.15,800.
(c) Deposit made on September 29 not shown in the bank statement Rs.2,500.
(d) Total amount of uncleared cheques Rs.25,800.
(e) The bank paid a non-interest bearing note for Farooq Co. was not recorded in Cash Book. The note was for Rs.2,000.
(f) Issued a cheque for Rs.6,000 to a supplier (after discount period) but it was wrongly entered in Cash Book as for Rs.5,880 as if paid within discount period.
(g) A debit memo for Rs.220 accompanied the bank statement for locker rent; the bank had erroneously charged this to Farooq Co. instead of Farooque Co.
(h) Deposited a customer’s cheque for Rs.7,840 (after discount deduction) but it was wrongly recorded in cash book for Rs.8,000 as if received after discount period.
(i) Total amount of unpresented cheques Rs.2,000.
(j) A customer’s cheque for Rs.2,500 deposited directly in bank was by mistake entered into cash column of cash book.

REQUIRED
(a) Prepare a bank reconciliation statement at September 30, 1992.
(b) Prepare necessary adjusting entries and narrate each entry.

Question # 16: 1994 Regular & Private – UOK
REQUIRED
(a) Prepare bank reconciliation statement for Miller and Company on March 31, based on the information given below.
(b) Prepare necessary journal entries.

Data:
(1) The balance per books of Miller and Company is $4,139.26.
(2) The bank statement shows a balance of $6,228.41 as of March 31.
(3) Accompanying the bank statement was a cheque of W.W. Ward for $94.52, which was marked NSF by the bank.

(4) Cheques outstanding as of March 31 were as follows: No. C94 for $1,052.27 and No. C98 for $1,232.00.

(5) Also accompanying the bank statement was a paid cheque for $44.50 of Guller Company; the bank had charged this to the account of Miller of Company erroneously.

(6) On March 29, the bank collected a non-interest bearing note for Miller and Company. The note was for $254; the bank charged a fee of $4.

(7) A deposit of $409.40 was in transit; it had been mailed to the bank on March 31.

(8) In recording a $120 cheque received on account from a customer, Barton Company, the bookkeeper for Miller and Company erroneously listed the collection in the cash receipts journal as $12. The cheque appeared correctly among the deposits on the March bank statement.

(9) The service charges on the account for March amounted to $4.70; a debit memo in this amount was returned with the bank statement.

**Question # 17:**

The accountant of Urooj Ltd. has extracted the following data from its cash book (bank column) and the bank statement on November 30, 2008:

- **(a)** Credit balance (O.D.) as per cash book Rs.74,000.
- **(b)** Debit balance (O.D.) as per bank statement Rs.62,700.
- **(c)** Bank charges not recorded by the Co. Rs.1,200.
- **(d)** Cheque deposited on November 30, 2008 but not shown on bank statement Rs.28,000.
- **(e)** Deposit by a customer directly made in company's account not recorded by the company Rs.50,000.
- **(f)** A cheque for purchase of supplies was drawn for Rs.65,000 but was recorded on company's records as for Rs.56,000.
- **(g)** The company officer issued a cheque for Rs.5,000 for travelling expense. This cheque was not recorded by the company.
- **(h)** Cheque issued during November, but not presented to the bank for payment Rs.4,500.

**REQUIRED**

(i) Prepare a Bank Reconciliation Statement showing the corrected balances.

(ii) Prepare necessary adjusting entries in the General Journal.

**Question # 18:**

The accountant of Fayyaz Co. has extracted the following data from its cash records and its bank statement on Nov. 30, 2008:

1) Bank overdraft as per cash book Rs.106,400.
2) Bank overdraft as per pass book Rs.10,000.
3) Issued a cheque for Rs.50,000 to a supplier (after the expiry of discount period), but it was wrongly entered in cash book as Rs.49,000.
4) A debit memo for Rs.5,000 accompanied by the bank statement for locker rent; the bank had erroneously charged this to Fayyaz Co. instead of Fazi Co.
5) Deposited a customer's cheque for Rs.78,400 (after discount deduction) but it was wrongly recorded in cash book as Rs.80,000 as if it were received after discount period.
6) A customer's cheque for Rs.200,000 deposited directly in bank was by mistake entered into cash column of the cash book.
7) Issued a cheque for purchase of supplies for Rs.10,000 was recorded on company's record as Rs.1,000.
8) Mark-up charged by bank was not recorded by the company Rs.2,000.
9) Three cheques totaling Rs.20,000 were issued to suppliers, but only one cheque for Rs.5,000 was presented to the bank by the last day of the month.
Bank Reconciliation Statement

Chapter # 4

10) Four cheques totaling Rs.120,000 were sent to the bank for collection but only one cheque for Rs.20,000 was cleared & credited by the bank.

REQUIRED
(a) Prepare a Bank Reconciliation Statement for Nov. 30, 2008.
(b) Pass necessary adjusting entries.

Question # 19: 2005 Regular – UOK
(a) Differentiate between Crossed Cheque and Bearer Cheque.
(b) Following is the information provided by Walayat & Co. at April 30, 2005:

<table>
<thead>
<tr>
<th>Cash in Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1</td>
</tr>
<tr>
<td>Balance</td>
</tr>
<tr>
<td>April 30</td>
</tr>
<tr>
<td>Withdrawal</td>
</tr>
<tr>
<td>Deposit</td>
</tr>
</tbody>
</table>

1) The bank statement showed a debit balance (over draft) of Rs.8,500.
2) Deposit in transit Rs.80,000.
3) A debit memo for Rs.1,500 accompanied the bank statement for locker rent. The bank had erroneously charged this to Walayat & Co. instead of Wilayat & Sons.
4) The bank charged Rs.100 for service.
5) Outstanding cheques Rs.48,000.
6) A direct remittance in bank account of Rs.8,000 by a customer.
7) Dividend collected by the bank in behalf of the company Rs.3,000 but was not recorded in cash book.
8) A cheque for Rs.720 of Azeem, a customer that had been deposits in the bank was erroneously recorded in cash book Rs.270.

REQUIRED
Prepare a Bank Reconciliation Statement.

Question # 20: 2009 Regular – UOK
The following information pertains to Aziz Traders for September 30, 2009.

| Balance as per bank statement | 220,050 |
| Balance as per cash book      | 191,025 |
| 1) Proceeds of depositors note collected by the bank | Rs.? |
| 2) Deposit in transit         | 12,474  |
| 3) Outstanding cheques        | 23,195  |
| 4) Bank error detected Rs.675 from Aziz account for a cheque actually written for | 6,750  |

REQUIRED
Prepare:
(a) A Bank Reconciliation Statement.
(b) Adjusting entry OR entries.

Question # 21: 2011 Private – UOK
During the process of completing the bank reconciliation of Rahim Co. on July 31, 2011, the following facts were discovered:

Cash book balance Rs.560,000. Bank statement balance (Dr.) Rs.430,000.

(i) A cheque for Rs.51,000 deposited into bank was wrongly entered into bank statement for Rs.15,000.
(ii) L/c documents retired but not recorded in cash book Rs.450,000.
(iii) Bank charged markup on running finance Rs.3,600.
(iv) Cash withdrew Rs.500,000 was recorded in cash book but withholding tax Rs.1,000 not recorded.
(v) Bank credited excess L/c margin charged Rs.9,200.
(vi) M/S Asim Co. paid Rs.135,000 through online.
(vii) Cheque of Zulfiqar Co. returned Rs.80,000 by bank. And bank charged Rs.450.
Bank Reconciliation Statement

Chapter # 4

(viii) Rahim Co. paid to Irfan Co. Rs.50,000 through online but not recorded in cash book.
(ix) Bank charged commission Rs.650.
(x) Bank debited Rs.92,500 against L/c margin but not recorded in cash book.
(xi) Uncleared cheques Rs.850,000.
(xii) Unpresented cheques Rs.430,000.

REQUIRED
Prepare Bank Reconciliation Statement and also adjusting entries in the journal.

Question # 22:
On September 1, 2010 Sardar Company has credit balance in the bank column of its cash book Rs.70,000 and debit balance in the bank statement Rs.86,000.
Company found the following errors when preparing the reconciliation statement:
1. Cheques issued to:

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Amount (Rs.)</th>
<th>Date of Issue</th>
<th>Cheque Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muhakamuddin Traders</td>
<td>15,000</td>
<td>June 28, 2010</td>
<td>709087</td>
</tr>
<tr>
<td>Babar Company</td>
<td>20,000</td>
<td>July 15, 2010</td>
<td>709123</td>
</tr>
<tr>
<td>Nadeem &amp; Sons</td>
<td>40,000</td>
<td>August 10, 2010</td>
<td>709224</td>
</tr>
</tbody>
</table>

Cheque number 709087 and 709224 presented for payment.
2. Issued a cheque for Rs.3,150 but it was recorded in the company’s book Rs.2,450.
3. Service charges not recorded in the cash book Rs.800.
4. Following cheques deposited in the bank:

<table>
<thead>
<tr>
<th>Customers</th>
<th>Deposit Date</th>
<th>Cheque Number</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehman Traders</td>
<td>June 28, 2010</td>
<td>50897</td>
<td>65,000</td>
</tr>
<tr>
<td>Aftab Company</td>
<td>July 15, 2010</td>
<td>60876</td>
<td>50,000</td>
</tr>
<tr>
<td>Arsalan Bros.</td>
<td>August 10, 2010</td>
<td>32567</td>
<td>60,000</td>
</tr>
</tbody>
</table>

Cheque number 60876 of Aftab Bros. returned by the bank marked NSF, and others are uncleared.
5. Interest on investment credited by the bank Rs.125,000 was not recorded in the cash book.
6. Deposited a cheque of Rs.30,670 but it was wrongly entered in the Co.'s book as Rs.15,170.

REQUIRED
Prepare Bank Reconciliation Statement.

Question # 23:
A comparison of the cash book (bank column) of Shamir & Co. and the bank account for the month of April 2011 revealed the following:
(i) Balance as per cash book, April 30, was Rs.495,000.
(ii) Balance as per bank statement, April 30, was Rs.950,000.
(iii) Bill pay charges not recorded by company Rs.10,000.
(iv) The bank paid a standing order for insurance of Rs.9,000.
(v) The bank received direct credit transfer a payment of Rs.120,000 from Yahya.
(vi) Uncleared cheques Rs.150,000.
(vii) Promissory note paid by the bank was not recorded in the Co.'s cash record of Rs.100,000 (including interest expense Rs.10,000).
(viii) Dividends collection was credited by the bank was not recorded in the Co.'s cash record of Rs.170,000.
(ix) A cheque was issued to Ahmed for payment of Rs.12,000 but was erroneously recorded by company as Rs.21,000.
(x) Unpresented cheques Rs.400,000.
(xi) Transaction charges Rs.15,000 not recorded in cash book.
(xii) Zakat deducted Rs.40,000 and mark up credited Rs.60,000 by bank.
Bank Reconciliation Statement

Chapter # 4

(xiii) Withdrawal of cash Rs.20,000 from bank for personal use by Shamir was not recorded in cash book.

(xiv) Rent earned Rs.40,000 was collected and credited by bank but was not recorded in cash book.

REQUIRED
Prepare adjusting entries in General Journal.

Question # 24: 1995 Private – UOK
The following information relates to cash in bank account of Mahiwal Company at October 31, 1995:

(1) Credit balance per company records Rs.2,600.
(2) Direct deposit by customer, Umar not recorded by the company accountant Rs.900.
(3) Cheque of a customer, Farhad dishonoured by the bank, Rs.1,400.
(4) A non-interest bearing note paid by the bank on behalf of the company, but not recorded in the company books Rs.2,000.
(5) Bank service charges not recorded in the company books Rs.100.
(6) Cheque No. 909 issued in payment of advertising expenses, for Rs.800 but not recorded by the company accountant as Rs.8,000.
(7) Deposit of October 31, not shown in the bank statement Rs.8,600.
(8) Cheque issued but not presented in bank for payment, Rs.3,000.

REQUIRED
(a) Prepare a schedule showing additions to, and deductions from the unadjusted balance so as to arrive at the adjusted balance.
(b) Prepare necessary adjusting entries.
(c) Determine balance per the bank statement at October 31, 1995.