Examrace

Competitive Exams Accountancy: Bank Reconciliation Statement

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Bank Reconciliation Statement

Reconciliation of Bank Accounts

Reconciling the Company's Bank Accounts with the Banker's Statement is a fundamental and regular task of Accounting. First, there should be the ability to 'check back' the correctness of the reconciliation. This has been done, by marking the 'Bank Date' against the voucher. For instance, if you have issued a cheque on 8th April, which was ultimately cleared by your Bank on 19th April, you would set the 'Bank Date' for the voucher to be 19th April. This means, that when you next need to 'check back' whether the entry made by you is correct, you will only need to verify the Bank Statement of the 19th.

Second, that you should be able to 'recover' the reconciliation as of any date. This is of crucial importance to Auditing. The Bank Reconciliation is one of the pre-requisites of Auditing and verification of the correctness of accounts at the year end. However, it is not a 'real-time' task in the sense, that it is not done by the auditor's on the first day of the next year. This means, that the reconciliation made on 31st Mar, should be 'viewable' even in August, by when almost all the cheques would have subsequently been marked as reconciled. This has again been achieved using the concept above:

Bank Accounts may have a different 'Starting Date' for reconciliation purposes. When you create a Bank Account, you are requested to give an 'Effective Date for Reconciliation' just before the Opening Balance. Normally, this would be the 'Books Beginning from' date itself. However, you could have imported data from a previous version of Tally or from any other system where the reconciliation process was not available or was different. In that case, you may not wish to reconcile the bank account with your bank statements from the very beginning. Give the date from which you want the reconciliation facility to be activated. Then, previous entries will not appear for reconciliation, but will be taken as a reconciled Opening Balance.

A quick experiment with Reconciliation will show you what is meant. Here is how you go about it:

- Bring up the monthly summary of any Bank Book. You could do this from the Balance Sheet, Trial Balance, or Display/Account Books/Bank Books, and selecting a Bank.

- Bring you cursor to the first month typically April, and press Enter. This brings up the Vouchers for the month of April. Since this is a Bank Account, an 'additional' button F5: Reconcile will be visible on the right. Press F5.

- The display now becomes an 'Edit' screen in 'Reconciliation' mode. The primary components are: A column for the 'Bankers Date'

- The 'Reconciliation' at the bottom of the screen, showing:

- Balance as per Company Books

- Amounts not reflected in Bank

Balance as Per Bank

The Balance as per Company Books reflects your Balance as on the last date in our example case, 30-Apr.

The Amounts not reflected in Bank is the debit and credit sums of all those vouchers whose Bank Date is either BLANK, or GREATER than 30-Apr i.e.. These vouchers have not yet been reflected in the Bank Statement.

The Balance as per Bank is the Nett effect of your Book Balance offset by the amounts not reflected in the Bank which should equal the balance in the Bank Statement. Of course, some variation may persist due to entries made in the Bank Statement which you have not yet entered in your Books but since you WILL definitely enter them, and only then print your reconciliation, it will ultimately reflect the correct balance.

You will find, as you mark off the individual vouchers by setting the 'Bank Date' that the Reconciliation at the bottom of screen keeps reflecting those changes instantly. When you are finished, press Ctrl + A or press Enter as many times as necessary to skip over the unmarked vouchers, and accept the screen. If your screen has a largish number of vouchers it may take some time to complete the acceptance be patient.

The next time you come for reconciliation, you will be presented only with those vouchers which remain unreconciled.

Thus, the task keeps becoming simpler.

Making of Bank Reconciliation Statement by Yourself

Bank reconciliation statement tells the reason why your cash books bank column is not matching with your bank pass book

For making bank reconciliation statement, if you have deemed balance of cash book as base the see bank account and if the bank accountant has not passed any voucher entry then all entries must have to be according to our bank pass book for this I am doing some practical example solve ±

Bank as per cash book xxxxx-

- 1st Event: Add cheque issue but not yet presented. It means bank Accountant Has not passed entry of payment xxxx-

- 2nd Event: Less Cheque deposit but not cleared By bank It means our balance is Not increased in bank account, so We should also see it and less from Our cash book balance xxxx

- 3rd Event: Less Bank charges debited by bank but not recorded in cash book It means bank decreased our balance For their expense so we should also less These bank charges xxxx

- 4th Event: Add Dividend collected by bank credited in pass Book It means bank increased our balance But we have no contact, so when we get this Information from our pass book, we should Add in our cash book balance xxxx

- 5th Event: Less Insurance premium paid by bank Because, we have given the order to bank That he can pay directly, so bank paid and Our balance is decreased, so we should Also less our balance xxxx

- 6th Event: Less Customer's cheque dishonoured by bank not recored in cash book xxxx

- 7th Event: Add Wrong Credit Given by bank It means bank has increased our bank balance so for matching our cash book we must add this amount in our cash book bank column xxxx

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