

Cash Book and Bank Reconciliation

Presented by:

Md. Farid Uddin FCA, CIPA
SVP, Head of FAD & CFO
Islami Bank Bangladesh PLC.

Cash Book

A cash book is a financial ledger that contains all cash transactions including all cash receipts and disbursements, bank deposits and withdrawals during a period. Entries in the cash book are then posted into the general ledger.

- All transactions in a cash book have two sides: **debit and credit**.
- All **cash receipts** are recorded on the **left-hand side** as a **debit**, and
- All **cash payments** are recorded by date on the **right-hand side** as a **credit**.

The difference between the left and right sides shows the balance of cash on hand & at bank, which should be a net debit balance if cash flow is positive.

Different Types of Cash Books

- The cash book is set up in columns. There are three common versions of the cash book:
 1. Single column,
 2. Double column, and
 3. Triple column
- The single-column cash book shows only receipts and payments of cash.
- The double-column cash book shows cash receipts and payments as well as details about bank transactions.
- The triple-column cash book shows all of the above plus information about purchase or sales discounts.

Examples of Cash Book Format

Single column							
Dr.				Cr.			
Date	Particulars	F.	Cash	Date	Particulars	F.	Cash

Double column									
Dr.					Cr.				
Date	Particulars	F.	Cash	Bank	Date	Particulars	F.	Cash	Bank

Triple column											
Dr.						Cr.					
Date	Particulars	F.	Discount	Cash	Bank	Date	Particulars	F.	Discount	Cash	Bank

October – 2022 (Question no. 5b)

The following transactions took place in the book of A. Rahman during the month of January 2023:

Date	Particulars
January 01, 2023	Cash in Hand BDT 20,000/- & Cash at Bank BDT 40,000/-
January 03, 2023	Purchased goods by cheque BDT 7,000/-
January 05, 2023	Cash Sales BDT 12,000/-
January 08, 2023	Purchased goods by cheque BDT 5,500/-
January 11, 2023	Received cheque from Amiree less 10% cash discount, BDT 25, 000/-
January 12, 2023	Paid to Rabiul by cheque BDT 10,000/- less 8% cash discount
January 15, 2023	Received cheque from Hanif BDT 18,000/- less 5% cash discount
January 18, 2023	Purchased equipment by cash BDT 6,000/-
January 19, 2023	Paid wages by cash BDT 4,000/-
January 20, 2023	Withdrew from bank for business use BDT 22,000/-
January 21, 2023	Withdrew cash from bank for family use BDT 7,000/-
January 25, 2023	Sold goods by cheque BDT 20,000/-
January 31, 2023	Paid Salary by cash Tk.20,000/-

Solution

A. Rahman

Three Column Cash Book

Date	Particulars	F.	Discount	Cash	Bank	Date	Particulars	F.	Discount	Cash	Bank
01-Jan-2023	To Balance b/d			20,000	40,000						
05-Jan-2023	To Sale			12,000		03-Jan-2023	By Purchase				7,000
11-Jan-2023	To Mr. Amiree A/c.		2,500	22,500		08-Jan-2023	By Purchase				5,500
15-Jan-2023	To Mr. Hanif A/c.		900	17,100		12-Jan-2023	By Mr. Rabiul A/c.		800		9,200
20-Jan-2023	By Bank ©			22,000		18-Jan-2023	By Equipment			6,000	
25-Jan-2023	To Sale			20,000		19-Jan-2023	By Wages			4,000	
						20-Jan-2023	By Cash ©				22,000
						21-Jan-2023	By Withdrawal				7,000
						31-Jan-2023	By Salary			20,000	
31-Jan-2023	By Balance c/d				8,700	31-Jan-2023	By Balance c/d			83,600	
			<u>3,400</u>	<u>1,13,600</u>	<u>48,700</u>				<u>800</u>	<u>1,13,600</u>	<u>48,700</u>

November – 2022 (Question no. 4c)

From the following particulars prepare a three column cash book of M/s Habib Traders:

Date	Particulars
January 1, 2022	Cash in hand Tk. 80,000 (debit balance), cash at bank Tk. 50,000 (debit balance)
January 5, 2022	Cash deposit into bank Tk. 25,000/-
January 10, 2022	Paid by cash to Jamil Tk. 11,750/- and discount received from him Tk. 250/-
January 15, 2022	Cash purchase Tk. 20,000/- and credit Sale Tk. 35,000/-
January 20, 2022	Cash sale Tk. 40,000/- and credit sale Tk. 35,000/-
January 22, 2022	Collection through cash from Mr. Rashed Tk. 5,000/- as a full settlement of Tk. 6,000/-
January 25, 2022	Paid by cash Tk. 2,000/- for rent and Tk. 5,000/- for salary
January 30, 2022	Withdraw from the bank Tk. 15,000/-

Solution

M/s Habib Traders

Three Column Cash Book

Date	Particulars	F.	Discount	Cash	Bank	Date	Particulars	F.	Discount	Cash	Bank
1-Jan-2022	To Balance b/d			80,000	50,000						
5-Jan-2022	To Cash ©				25,000	5-Jan-2022	By Bank ©			25,000	
						10-Jan-2022	By Mr. Jamil A/c.		250	11,750	
						15-Jan-2022	By Purchase			20,000	
20-Jan-2022	To Sale			40,000							
22-Jan-2022	To Mr. Rashed A/c.		1,000	5,000							
						25-Jan-2022	By Rent			2,000	
						25-Jan-2022	By Salary			5,000	
30-Jan-2022	To Bank ©			15,000		30-Jan-2022	By Cash ©				15,000
						31-Jan-2022	By Balance c/d			76,250	60,000
			<u>1,000</u>	<u>140,000</u>	<u>75,000</u>				<u>250</u>	<u>140,000</u>	<u>75,000</u>

Bank Reconciliation Statement

- A bank reconciliation statement is a process of **accounting** for differences between the balance as stated on the bank statement and the balance of cash according to the depositor's records.
- A bank reconciliation statement is prepared by a depositor (account holder) to overcome differences in the balances of the **cash book** and **bank statement**.
- A bank reconciliation statement summarizes banking and business activity, comparing the bank's account balance with internal financial records.
- After all adjustments, the balance on a bank reconciliation statement should equal the ending balance of the bank account.

Reasons for Difference Between Bank Statement and Company's Accounting Record

Deposits in transit

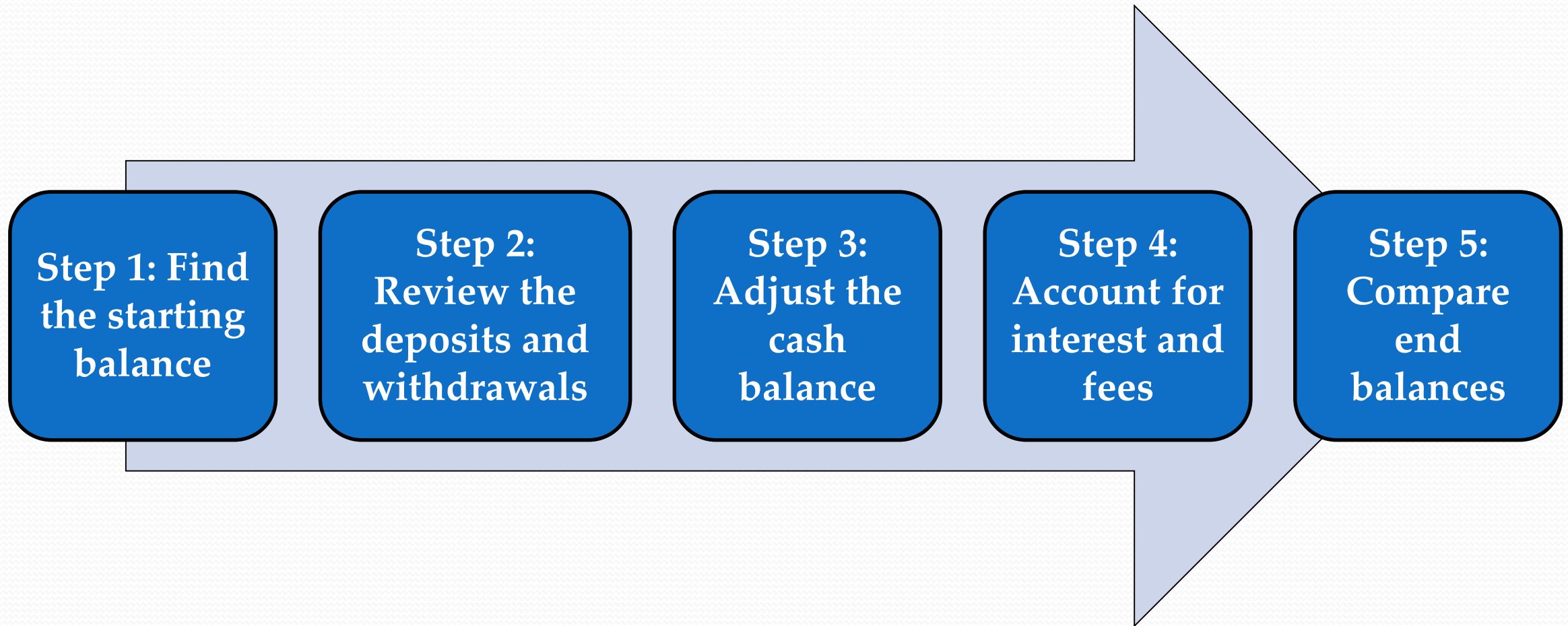
Outstanding checks

Bank service fees

Interest income

**Not sufficient funds
(NSF) checks**

Bank Reconciliation Procedure



May – 2024 (Question no. 5b)

Based on the data given below of XYZ Company for January 2024, prepare a Bank Reconciliation statement:

- i) Balance as per bank statement as on 31.01.2024 is Tk.86,179
- ii) Deposit in transit is Tk.44,700
- iii) Outstanding cheque is Tk.1,27,500
- iv) Deposit understated by bank is Tk12,000
- v) NSF cheque from the customer is Tk.2,500
- vi) Bank service charge is Tk.85
- vii) Errors in depositor's book (cheque to creditor Tk.300 but recorded as Tk.30)
- viii) Bank balance as per book as on 31.01.2024 Tk.18,234 .

May – 2024 (Question no. 5b)

ABC Limited

Bank Reconciliation Statement

As at 31.12.2020

Particulars	Taka	Taka
Balance as per Bank Statement		86,179
Add:		
(a) Deposit in transit	44,700	
(b) Bank error (Deposit understated)	12,000	
(c) NSF cheque from customer debited by the bank	2,500	
(d) Bank service charge for December	85	
(e) Cheque to creditor recorded less (300-30)	<u>270</u>	<u>59,555</u>
Less:		1,45,734
(a) Outstanding cheque	1,27,500	
		<u>1,27,500</u>
Balance as per Cash Book		<u>18,234</u>

May – 2022 (Question no. 6b)

Prepare a bank reconciliation statement of M/S Abdullah Enterprise as on 31.12.2021 with the following information:

- i) Bank balance as on 31.12.2021 as per bank statement is Tk.5,350.
- ii) At the end of December, bank balance as per cash book is Tk.3,950.
- iii) A draft deposited but not credited for Tk.2,800.
- iv) Bank directly collected a bill for Tk.5,000 on behalf of the company.
- v) A cheque issued to a supplier but was not presented for encashment Tk.2,750.
- vi) Bank charges for the month Tk.550 was not recorded in the cash book.
- vii) Total Not Sufficient Fund cheque was Tk.3,000.

Solution

M/S Abdullah Enterprise Bank Reconciliation Statement As at 31.12.2021

Particulars	Taka	Taka
Balance as per Cash Book		3,950
Add:		
(a) Bill directly collected by the bank	5,000	
(b) Cheque issued but not presented for encashment	2,750	<u>7,750</u>
		11,700
Less:		
i) Draft Deposited but not credited	2,800	
ii) Bank Charge	550	
iii) Dishonored Cheque for Not Sufficient Fund	3,000	<u>6,350</u>
Balance as per Pass Book/ Bank Statement		<u>5,350</u>

April – 2020 (Question no. 4b)

Prepare a bank reconciliation statement of M/S. DBC Traders as on 31 December, 2019 from the following particulars:

- i) Cash balance as per ledger on December 31, 2019 Tk.48,000.
 - ii) Bill directly paid by the bank but not recorded in ledger Tk.14,000.
 - iii) A Cheque deposited and duly credited in the bank statement Tk.500 but entered in the ledger as Tk.5,000.
 - iv) Dividend amounting to Tk.1,200 paid directly into the bank had not been entered in the cash book.
 - v) A Cheque deposited on 28th December, 2019 but credited by the bank on January 2, 2020 of Tk.5,000.
 - vi) A Cheque issued but not presented for payment of Tk.4,000
 - vii) Bank charge of Tk.300 was not entered in the cash book.
- Balance as per the bank statement as of December 31, 2019 was Tk.29,400.

You are also required to make necessary journal entries in M/S DBC Traders Book

Solution
M/S. DBC Traders
Bank Reconciliation Statement
As at 31.12.2019

Particulars	Taka	Taka
Cash Balance as per ledger		48,000
Add:		
(a) Dividend paid directly into the bank	1,200	
(b) Cheque issued but not presented for payment	4,000	<u>5,200</u>
		53,200
Less:		
(a) Bill directly paid by the bank	14,000	
(b) Cheque deposited and credited 5,000 instead of 500	4,500	
(c) Cheque deposited but not credited within 31.12.2019	5,000	
(d) Bank Charge	300	<u>23,800</u>
Balance as per Bank Statement		<u>29,400</u>

Thank You All

Any Question?