

# Cash Book and Bank Reconciliation

Presented by:

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# 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.



# 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	
			<b>3,400</b>	<b>1,13,600</b>	<b>48,700</b>				<b>800</b>	<b>1,13,600</b>	<b>48,700</b>

# 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**

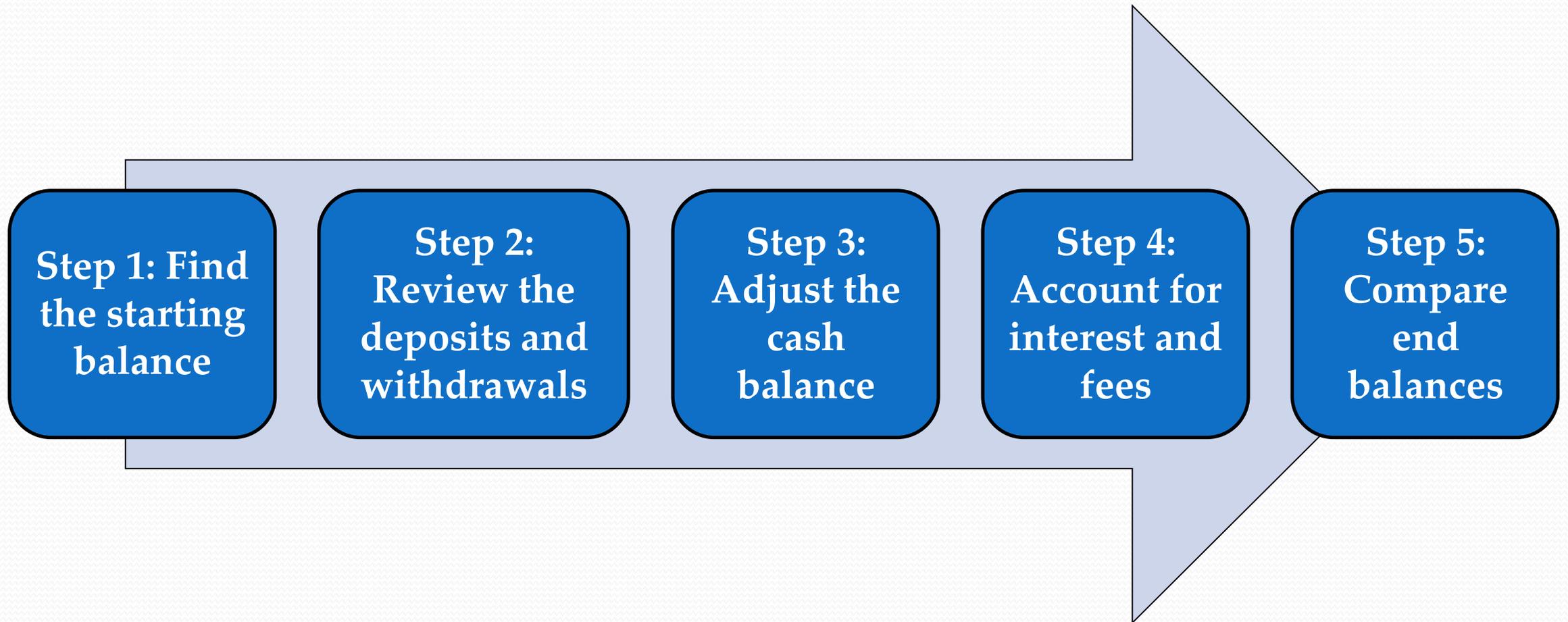
**Outstanding checks**

**Bank service fees**

**Interest income**

**Not sufficient funds  
(NSF) checks**

# Bank Reconciliation Procedure



# May – 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
<b>Balance as per Cash Book</b>		<b>3,950</b>
<b>Add:</b>		
(a) Bill directly collected by the bank	5,000	
(b) Cheque issued but not presented for encashment	2,750	<u>7,750</u>
		<b>11,700</b>
<b>Less:</b>		
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>
<b>Balance as per Pass Book/ Bank Statement</b>		<b><u>5,350</u></b>

# 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
<b>Cash Balance as per ledger</b>		<b>48,000</b>
<b>Add:</b>		
(a) Dividend paid directly into the bank	1,200	
(b) Cheque issued but not presented for payment	4,000	<u>5,200</u>
		<b>53,200</b>
<b>Less:</b>		
(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>
<b>Balance as per Bank Statement</b>		<b><u>29,400</u></b>

Thank You All

Any Question?