

Chapter 6: Bank Reconciliation Statement

EXERCISE 1 [PAGE 204]

Exercise 1 | Q 1 | Page 204

QUESTION

Answer in one sentence:

Who prepares a bank Pass Book?

SOLUTION

Bank Pass Book is prepared by Bank, which is nothing but a copy or extract of ledger account of account holder appearing in the bank ledger.

Exercise 1 | Q 2 | Page 204

QUESTION

Answer in one sentence:

What is pay-in-slip?

SOLUTION

When the account holder deposits cheque or cash into his bank account, a slip is filled by him, which is known as Pay-In-Slip also called Deposit Slip.

Exercise 1 | Q 3 | Page 204

QUESTION

Answer in one sentence:

What is bank overdraft?

SOLUTION

The amount withdrawn by the current account holder in excess of the balance in his current account up to a predetermined limit decided by the bank on the basis of pre decided conditions, is known as Bank Overdraft.

Exercise 1 | Q 4 | Page 204

QUESTION

Answer in one sentence:



What is withdrawal slip?

SOLUTION

A form/slip which is to be filled for withdrawing money from the bank is known as Withdrawal Slip.

Exercise 1 | Q 5 | Page 204

QUESTION

Answer in one sentence:

Who sends the bank statement?

SOLUTION

Bank statement is issued by the bank to the current account holders.

Exercise 1 | Q 6 | Page 204

QUESTION

Answer in one sentence:

What does a debit balance in Cash Book represent?

SOLUTION

The debit balance of the cash book represents bank balance as per cash book.

Exercise 1 | Q 7 | Page 204

QUESTION

Answer in one sentence:

Who prepares the Bank Reconciliation Statement?

SOLUTION

Bank Reconciliation Statement is prepared by the proprietor or account holder.

Exercise 1 | Q 8 | Page 204

QUESTION

Answer in one sentence:

What does debit balance in Pass Book represent?

SOLUTION

Debit balance in pass book indicates bank overdraft as per pass book.

Exercise 1 | Q 9 | Page 204

QUESTION

Answer in one sentence:

On which side is interest on bank deposit recorded in Pass Book?

SOLUTION

Interest on bank deposit is recorded on the credit side of pass book.

Exercise 1 | Q 10 | Page 204

QUESTION

Answer in one sentence:

Why is the Bank Reconciliation Statement prepared?

SOLUTION

Bank Reconciliation Statement is prepared to explain the causes of disagreement between the balances shown by the cash book under the bank column and the balance shown in the pass book.

EXERCISE 2 [PAGE 204]

Exercise 2 | Q 1 | Page 204

QUESTION

Give one word/term/phrase which can substitute the following statement:

The account on which overdraft facility is allowed by bank.

SOLUTION

The account on which overdraft facility is allowed by bank. - **Current account**

Exercise 2 | Q 2 | Page 204

QUESTION

Give one word/term/phrase which can substitute the following statement:

Extract of ledger account of account holder in the books of bank.

SOLUTION

Extract of ledger account of account holder in the books of bank. - **Pass Book**

Exercise 2 | Q 3 | Page 204

QUESTION

Give one word/term/phrase which can substitute the following statement:

Alphanumeric code that facilitates electronic funds transfer in India.

SOLUTION

Alphanumeric code that facilitates electronic funds transfer in India. - **Indian Financial System [IFSC]**

Exercise 2 | Q 4 | Page 204

QUESTION

Give one word/term/phrase which can substitute the following statement:

Statement showing the causes of disagreement between balance of Cash Book and Pass Book.

SOLUTION

Statement showing the causes of disagreement between balance of Cash Book and Pass Book. - **Bank Reconciliation Statement [BRS]**

Exercise 2 | Q 5 | Page 204

QUESTION

Give one word/term/phrase which can substitute the following statement:

Debit balance in Pass Book.

SOLUTION

Debit balance in Pass Book. - **Overdraft as per pass book**

Exercise 2 | Q 6 | Page 204

QUESTION

Give one word/term/phrase which can substitute the following statement:

A form which is filled for depositing cash or cheque into bank.

SOLUTION

A form which is filled for depositing cash or cheque into bank. - **Pay-In-Slip**



QUESTION

Give one word/term/phrase which can substitute the following statement:

Left hand side of Pay-in-slip.

SOLUTION

Left hand side of Pay-in-slip. - **Counterfoil**

QUESTION

Give one word/term/phrase which can substitute the following statement:

Credit balance in Cash Book.

SOLUTION

Credit balance in Cash Book. - **Overdraft as per cash book**

QUESTION

Give one word/term/phrase which can substitute the following statement:

A book maintained by trader to record banking transactions.

SOLUTION

A book maintained by trader to record banking transactions. - **Cash book**

QUESTION

Give one word/term/phrase which can substitute the following statement:

Excess of bank deposits over withdrawals by businessman in bank current account.

SOLUTION

Excess of bank deposits over withdrawals by businessman in bank current account.
- **Bank balance (favourable balance)**

EXERCISE 3 [PAGES 204 - 205]



QUESTION

Do you agree or disagree with the following statement:

The bank column of Cash Book represents bank account.

- Agree
- Disagree

SOLUTION

The bank column of Cash Book represents bank account. - **Agree**

Exercise Q3 | Q 2 | Page 204

QUESTION

Do you agree or disagree with the following statement:

Bank statement enables account holder to prepare Bank Reconciliation Statement.

- Agree
- Disagree

SOLUTION

Bank statement enables account holder to prepare Bank Reconciliation Statement.
- **Agree**

Exercise 3 | Q 3 | Page 204

QUESTION

Do you agree or disagree with the following statement:

Cheques issued for payment but not presented to bank appears in Cash Book only.

- Agree
- Disagree

SOLUTION

Cheques issued for payment but not presented to bank appears in Cash Book only.
- **Agree**

Exercise 3 | Q 4 | Page 204

QUESTION

Do you agree or disagree with the following statement:



Bank Reconciliation Statement is prepared only during the year end.

- Agree
- Disagree

SOLUTION

Bank Reconciliation Statement is prepared only during the year end. - **Disagree**

Exercise 3 | Q 5 | Page 204

QUESTION

Do you agree or disagree with the following statement:

Bank Reconciliation Statement is similar to bank statement.

- Agree
- Disagree

SOLUTION

Bank Reconciliation Statement is similar to bank statement. - **Disagree**

Exercise 3 | Q 6 | Page 205

QUESTION

Do you agree or disagree with the following statement:

Bank balance as per Cash Book is always equal to bank balance as per Pass Book.

- Agree
- Disagree

SOLUTION

Bank balance as per Cash Book is always equal to bank balance as per Pass Book.
- **Disagree**

Exercise 3 | Q 7 | Page 205

QUESTION

Do you agree or disagree with the following statement:

Bank advice is sent by the businessman to bank.

- Agree



- Disagree

SOLUTION

Bank advice is sent by the businessman to bank. - **Disagree**

Exercise 3 | Q 8 | Page 205

QUESTION

Do you agree or disagree with the following statement:

Pay-in-slip is used for depositing cheque into bank.

- Agree
- Disagree

SOLUTION

Pay-in-slip is used for depositing cheque into bank. - **Agree**

Exercise 3 | Q 9 | Page 205

QUESTION

Do you agree or disagree with the following statement:

Difference in Cash Book balance and Pass Book balance may arise due to errors committed while recording.

- Agree
- Disagree

SOLUTION

Difference in Cash Book balance and Pass Book balance may arise due to errors committed while recording. - **Agree**

Exercise 3 | Q 10 | Page 205

QUESTION

Do you agree or disagree with the following statement:

Payment and receipt of cash through internet banking generates automatic proof.

- Agree
- Disagree

SOLUTION

Payment and receipt of cash through internet banking generates automatic proof.

- **Agree**

EXERCISE 4 [PAGE 205]

Exercise 4 | Q 1 | Page 205

QUESTION

Select the most appropriate alternative from those given and rewrite the following statement:

Overdraft means _____ balance of Cash Book.

- closing
- debit
- opening
- credit

SOLUTION

Overdraft means **credit** balance of Cash Book.

Exercise 4 | Q 2 | Page 205

QUESTION

Select the most appropriate alternative from those given and rewrite the following statement:

When a cheque is deposited and collected by bank Pass Book is _____.

- dishonoured
- debited
- credited
- written

SOLUTION

When a cheque is deposited and collected by bank Pass Book is **credited**.

Exercise 4 | Q 3 | Page 205

QUESTION



Select the most appropriate alternative from those given and rewrite the following statement:

A _____ is a summary of financial transactions that take place over a period of time on a bank account.

- withdrawal slip
- bank advice
- bank statement
- Pay-in-slip

SOLUTION

A **bank statement** is a summary of financial transactions that take place over a period of time on a bank account.

Exercise 4 | Q 4 | Page 205

QUESTION

Select the most appropriate alternative from those given and rewrite the following statement:

Debiting an entry in Cash Book _____ cash balance.

- increases
- decreases
- nullifies
- none of the above

SOLUTION

Debiting an entry in Cash Book **increases** cash balance.

Exercise 4 | Q 5 | Page 205

QUESTION

Select the most appropriate alternative from those given and rewrite the following statement:

Bank Reconciliation Statement is prepared by _____.

- student
- businessman



- bank
- none of the above

SOLUTION

Bank Reconciliation Statement is prepared by **businessman.**

Exercise 4 | Q 6 | Page 205

QUESTION

Select the most appropriate alternative from those given and rewrite the following statement:

Bank balance as per Pass Book means _____ balance of Pass Book.

- credit
- opening
- debit
- closing

SOLUTION

Bank balance as per Pass Book means **credit** balance of Pass Book.

Exercise 4 | Q 7 | Page 205

QUESTION

Select the most appropriate alternative from those given and rewrite the following statement:

Bank gives overdraft facility to _____ account holder.

- savings
- recurring
- current
- fixed

SOLUTION

Bank gives overdraft facility to **current** account holder.

Exercise 4 | Q 8 | Page 205

QUESTION

Select the most appropriate alternative from those given and rewrite the following statement:

Debit balance as per Cash Book is also known as _____ balance.

- favourable
- overdraft
- abnormal
- unfavourable

SOLUTION

Debit balance as per Cash Book is also known as **favourable** balance.

Exercise 4 | Q 9 | Page 205

QUESTION

Select the most appropriate alternative from those given and rewrite the following statement:

When extracts of Cash Book and Pass Book are given for uncommon periods, only _____ items are considered for preparation of Bank Reconciliation Statement.

- uncommon
- normal
- favourable
- common

SOLUTION

When extracts of Cash Book and Pass Book are given for uncommon periods, only **common** items are considered for preparation of Bank Reconciliation Statement.

Exercise 4 | Q 10 | Page 205

QUESTION

Select the most appropriate alternative from those given and rewrite the following statement:

When extract of Cash Book and Pass Book are given for common period, only _____ items are considered for preparation of Bank Reconciliation Statement.

- uncommon



- common
- favourable
- unfavourable

SOLUTION

When extract of Cash Book and Pass Book are given for common period, only **uncommon** items are considered for preparation of Bank Reconciliation Statement.

EXERCISE 5 [PAGE 206]

Exercise 5 | Q 1 | Page 206

QUESTION

Complete the following statement:

Payments credited in Cash Book are _____ in Pass Book.

SOLUTION

Payments credited in Cash Book are **debited** in Pass Book.

Exercise 5 | Q 2 | Page 206

QUESTION

Complete the following statement:

While preparing Bank Reconciliation Statement only _____ column of Cash Book is considered.

SOLUTION

While preparing Bank Reconciliation Statement only **bank** column of Cash Book is considered.

Exercise 5 | Q 3 | Page 206

QUESTION

Complete the following statement:

Cheques issued to creditors appear first in _____ book.

SOLUTION

Cheques issued to creditors appear first in **cash** Book.

Exercise 5 | Q 4 | Page 206



QUESTION

Complete the following statement:

A statement showing the reasons for difference in Cash Book balance and Pass Book balance is known as _____.

SOLUTION

A statement showing the reasons for difference in Cash Book balance and Pass Book balance is known as **Bank Reconciliation Statement.**

Exercise 5 | Q 5 | Page 206

QUESTION

Complete the following statement:

Overcast on receipt side of Pass Book means _____ in Pass Book balance.

SOLUTION

Overcast on receipt side of Pass Book means **increase** in Pass Book balance.

Exercise 5 | Q 6 | Page 206

QUESTION

Complete the following statement:

Online transfer made to our creditors appear on the _____ side of Cash Book.

SOLUTION

Online transfer made to our creditors appear on the **payment credit** side of Cash Book.

Exercise 5 | Q 7 | Page 206

QUESTION

Complete the following statement:

Interest on overdraft charged by bank is _____ in Pass Book.

SOLUTION

Interest on overdraft charged by bank is **debited** in Pass Book.

Exercise 5 | Q 8 | Page 206

QUESTION



Complete the following statement:

Normally the Cash Book shows debit balance and Pass Book shows _____ balance.

SOLUTION

Normally the Cash Book shows debit balance and Pass Book shows **credit** balance.

Exercise 5 | Q 9 | Page 206

QUESTION

Complete the following statement:

The form filled for withdrawing cash from bank is known as _____.

SOLUTION

The form filled for withdrawing cash from bank is known as **withdrawal slip**.

Exercise 5 | Q 10 | Page 206

QUESTION

Complete the following statement:

A businessman can update his records on receiving _____.

SOLUTION

A businessman can update his records on receiving **bank advice**.

EXERCISE 6 [PAGE 206]

Exercise 6 | Q 1 | Page 206

QUESTION

State whether the following statement is True or False with reasons:

Cheques deposited into bank but not yet cleared appears in the Pass Book only.

- True
- False

SOLUTION

This statement is False.

Cheques deposited into bank should be recorded first on the debit side of cash book and after receiving the amount by bank, bank will credit it. Thus, uncleared cheques appear



in the cash book only.

Exercise 6 | Q 2 | Page 206

QUESTION

State whether the following statement is True or False with reasons:

Direct deposit made by debtors into businessman's bank account is recorded on the credit side of Pass Book.

- True
- False

SOLUTION

This statement is True.

As businessman is unaware of any amount directly deposited by debtors into a businessman's bank account. He is not in a position to record it in cash book while it is already recorded on the credit side of pass book.

Exercise 6 | Q 3 | Page 206

QUESTION

State whether the following statement is True or False with reasons:

Businessman can prepare Bank Reconciliation statement only with Cash Book Balance.

- True
- False

SOLUTION

This statement is False.

Bank Reconciliation Statement can be prepared with cash book balance or pass book balance or with overdraft by a businessman at the end of a specified period.

Exercise 6 | Q 4 | Page 206

QUESTION

State whether the following statement is True or False with reasons:

When overdraft as per Cash Book is given, bank charges debited in Pass Book only, is to be added.



- True
- False

SOLUTION

This statement is True.

When overdraft as per cash book is given. It means that it is a debt for a businessman to bank and bank charges increase the debt towards bank. Therefore it is to be added in the overdraft amount.

Exercise 6 | Q 5 | Page 206

QUESTION

State whether the following statement is True or False with reasons:

Bank Statement is sent by Bank to businessman.

- True
- False

SOLUTION

This statement is True.

As a matter of service, the bank provides bank statement to account holder because the bank statement is a summary of financial transactions which have taken place over a given period of time between the bank and his customer.